

# The Annals

OF THE  
AMERICAN ACADEMY OF  
POLITICAL AND SOCIAL SCIENCE

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## Industrial Stability

PHILADELPHIA  
20TH STREET AND WOODLAND AVENUE

Vol. XC

JULY, 1920

No. 23

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*Issued Bi-Monthly by the American Academy of Political and Social Sciences at Convent, New Hampshire.*  
*Editorial Office, Woodland Avenue and 36th Street, Philadelphia.*

*Entered as second-class matter May 8, 1908, at the post-office at Convent, New Hampshire, under the Act of August 24, 1903.*



# INDUSTRIAL STABILITY

## The Annals

VOLUME XC

JULY, 1920

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THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE  
36TH STREET AND WOODLAND AVENUE  
PHILADELPHIA  
1920

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#### EUROPEAN AGENTS

ENGLAND: P. S. King & Son, Ltd., 2 Great Smith Street, Westminster, London, S. W.  
FRANCE: L. Larose, Rue Soufflot, 22, Paris.  
GERMANY: Mayer & Müller, 2 Prinz Louis Ferdinandstrasse, Berlin, N. W.  
ITALY: Giornale Degli Economisti, via Monte Savello, Palazzo Orsini, Rome.  
SPAIN: E. Dossat, 9 Plaza de Santa Ana, Madrid.

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## FOREWORD

THE elements in industrial stability are as complex and numerous as are the underlying social and industrial motives and forces that make for stability. Conservatism in matters industrial as in all matters social rests in motion. But moving objects are never at any time subject to as complete an analysis static as are matters. The very fact that industrial factors are dynamic, however, makes it all important that we should periodically try to revalue them. It is to this purpose that this volume is dedicated.

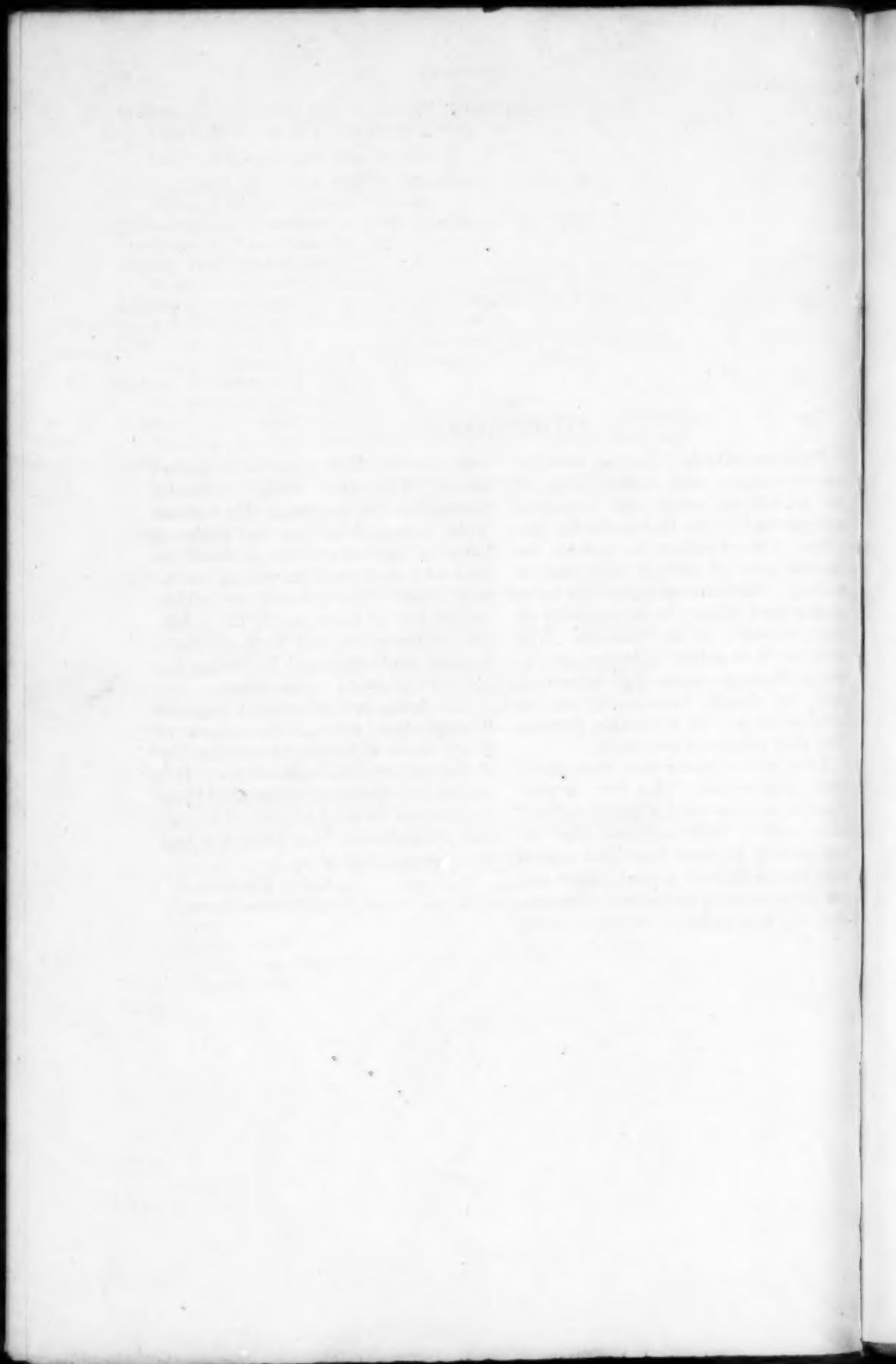
Two points stand out throughout these discussions. The first is that there is no panacea for industrial stability nor is there any one plan for relationship between labor and capital that brings its own motive power and *per se* assures coöperation. The underlying human forces are never to be

neglected nor their importance understated. The other thought reflected throughout the papers in this volume is the mutual obligations and duties of labor and capital and the public all to each and each to all as well as one to each other. The interest of neither capital nor of labor nor of the public can be protected and furthered save through protecting and furthering the common interests of the others.

The Academy has brought together through this volume discussions of every phase of industrial stability by able men in typical walks of life. It is noteworthy that throughout all of these papers runs the need for mutual respect and coöperation: in a word, for true democracy in industry.

CARL KELSEY,  
*Editor-in-Charge.*





# The Trend Toward Industrial Democracy

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I SUPPOSE the fact that we are all experimenting in various ways, in various forms of industrial democracy, is an unquestionable one. But the question that appeals to me is whether this is simply a temporary thing, simply a chance effort to meet a chance problem, or does it fall in with that general trend of events which one gradually gets to trust as being the best clue to the importance and the probable continuation of any movement that one sees an instance of in our midst. In an effort to test this trend I think it will be possible to see three things; first, that it belongs to a long movement, one that has gone over a long period of time; secondly, that it is a broad movement, that it is only one part of a whole series of changes; thirdly, that it is analogous to the great political movement that we have been so interested in in the last century and are still in the midst of, and that it therefore has whatever strength the political movement toward democracy possesses.

## THE GOVERNING CLASS IN ENGLAND

To show those facts as they seem to me, I intend to go to English examples. English examples are more available than American examples for two or three reasons. One is that England has only one legislature, and her legislation is, therefore, a simpler problem; whereas we have some forty-nine. Another reason is that they were earlier on the ground than we in most of these things. Most political phenomena and, I think, all economic phenomena of recent times have shown them-

selves first in England. Then again it is easier to stand off and look at what somebody else is doing than to analyze and classify the occurrences of which we are ourselves a part.

As everybody knows, a hundred years ago, if we can take that large a span, England was subject to a class government. She possessed an aristocratic type of political government. Out of the 12,000,000 people in England at that time, if you took about 100,000, you would find in that group all the members of Parliament and those who were influential in elections, all the members of the ministry, all diplomatic representatives abroad, all the judges on the bench and the minor judiciary of the country, all the officers in the army and navy, all the clergy of the established church, all the professors and students in the universities and in the great public schools. From almost every point of view you chose to look at persons of political or social influence you would find them a closed circle. A comparatively small number of persons were controlling the political destiny of England and all other phases of society that fall naturally in with its political fortunes. England, in other words, had an aristocratic form of government in which 12,000,000 people were governed by about one-hundredth of their own number. Only about one grown man in eight was a voter. Political aristocracy was nearly complete. The members of it were proud of their success. They pointed with pride to the great wars which they had carried through successfully and to what they considered

their good government. The Duke of Wellington, who was Prime Minister in 1830, said that if he were asked to make a government for any country he would not say that he would make a government like that of England, because the power of man could not accomplish that, but he would make a government just as nearly like that of England as could be. The reason it was such a good government was because property was so largely represented, especially landed property.

#### THE ECONOMIC GOVERNING CLASS IN ENGLAND

Such was the position and such was the attitude of the governing class of England. That is familiar, but I do not think we are quite so familiar with the fact that, looked at from an economic point of view, exactly the same thing was true in England one hundred years ago. The country was under a narrow class government. If you should have taken 100,000 people, or probably a much smaller number than that, you would have found in that 100,000 persons all those who had any effective control over the economic concerns of England—all the manufacturers in the larger forms of industry, all the mine owners, all the owners of the railroads that were just then being laid, all the owners of the steamship lines that were just then being established. Looked at from every point of view that has to do with the industrial life of a nation, including all the great landlords of the country, you would find that it was again a closed circle. The actual numbers I do not think it is practicable to obtain, but, certainly they were much less than 100,000 persons. Sometimes they were the same as the political aristocracy. Lord Melbourne, for instance, was not only Prime Minister of England but one of the largest coal mine owners in

England. You may find other instances where the two classes lap over each other, though in most cases this was not true. However, if you took those 100,000 persons or fewer, they had very much the same position in economic concerns that the political aristocracy which governed England had in its political concerns.

They were alike proud of their success and alike approved by the dominant spirit of the times. Circumstances had so worked out that the new inventions of the industrial revolution had come, not into the hands of the whole community, as seems to have been anticipated by the earlier inventors and the organizations which offered prizes for new inventions, but had come into the hands of a certain group of persons. The prevailing view of *laissez-faire* was that the government was to leave economic concerns alone. But *laissez-faire* as usually interpreted means to leave things alone as they are at any one time. It does not mean to let everybody start fresh from scratch; it means to leave some people with a very heavy handicap and other people with very great advantages. To "leave things alone" at that time meant to leave the control of the newly organized industry to those persons who, by family connection or by inheritance, or by other opportunity were able to obtain capital. Moreover, *laissez-faire* meant to leave them with the political system of the time intact, a system of government by the few, government by an aristocracy. When the workmen began to form combinations the employers appealed, in the first place, to an aristocratic and, therefore, sympathetic legislature. Parliament, thereupon, strengthened the old combination acts. Then they appealed to the courts and the opposition of the common law to any kind of organization. I presume there never

has been any such body of class law in the world as the English common law as it was as late as a century ago. It was the law of the state as against the individual citizen. It was the law of the landlord as against the tenant. It was the law of the employer as against the employee. It was the law of the husband as against the wife, of the man as against the woman. The relations of economic classes were then under the domination of the law of the time, the common law, and of statutes that were being adopted from time to time by an aristocratic legislature.

In 1810 the journeymen printers on the *London Times* struck for higher wages. A number of them were prosecuted under the combination laws and were sentenced to imprisonment for periods from nine months to two years. Sir John Sylvester, the judge, when sentencing them said: "Prisoners, you have been convicted of a most wicked conspiracy to injure the most vital interests of those very employers who gave you bread. . . . The frequency of such crimes among men of your class of life and their tendency to ruin the fortunes of those employers, which a principle of gratitude and self-interest should induce you to support, demand of the law that a severe example should be made." That is, employers were a class who gave bread to another class—the workingmen. A certain magistrate who was also a mine owner, reporting to the Home Secretary in 1830 concerning a strike against the truck system writes, "I shall have the men apprehended who have left their employ and have them sent to the treadmill." Not only was there a governing and a governed class industrially, but the former were also considered to be, as in the case of aristocratic political government, the patrons and benefactors of the workingmen and of

the community as well. A judge in 1816, sentencing nine hatters of Stockport to two years imprisonment for combining to stop work till their employer, a William Jackson, should pay them better wages, said, "A person who, like Mr. Jackson, has employed from one hundred to one hundred and thirty hands, common gratitude would teach us to look upon as a benefactor of the community."

In a certain sense and at first sight the pride of the manufacturers and railway and mine owners and the support of them in their class domination by the rest of the community was justified. The myth that labor was merely a commodity to be bought, like fuel and raw material, by employers, and put to the most effective use for purposes of production, was all but universally accepted.

The workingmen themselves, like others, glad to be credited with something of their own and easily led astray by a figure of speech, accepted the delusion that their work could be bought and sold apart from their personality, and that they had no interest and responsibility for its use after the contract was once made or implied.

#### THE EFFECT OF ECONOMIC ARISTOCRACY

The capitalists or managing employers were thus credited with being the producers of wealth and it was believed they were making England rich. In a certain sense England was becoming a rich country. But, individually speaking, it was only rich at the top. Further down, just as in the rural districts of England during the period of the domination of the landlord, you find the most impoverished, the most miserable and the most demoralized peasantry of the world, so, industrially, the first half of the nineteenth century was one of the worst periods

in economic history. It is true that there was a large amount of wealth in England and it was somewhat widely distributed among a certain upper and upper middle class, but below these there was a vast mass of poverty—poverty to the extent of absolute destitution, extreme irregularity of employment, and miserable conditions of living.

I may say frankly that there was a long period in which I did not believe that this was the condition of England. I believed that the general effect of the industrial revolution was to raise the mass of the people industrially; but the more I study this period the more I am convinced that this is a mistake. The effect of the introduction of machinery and of large amounts of capital and the adoption of a new industrial organization was, for the time at least, and under the influence of *laissez-faire*, deleterious to the masses of the people. England had a great body of population, overworked, underpaid, underfed, uneducated and untrained, without opportunity and without incentive. It was a very miserable population compared even with the masses on the continent of Europe at the time. I should be sorry to give the impression that I am imputing any especial blame to the capitalist managers of industry of that period, any more than blame is to be attached to the aristocratic rulers of England in a political sense. The question is not an ethical but an institutional one. A man might be a good or a bad man individually, or, like most of us, partly good, partly bad, but his larger business relations must be carried on under the dominating conditions of his time.

#### DISAPPEARANCE OF POLITICAL ARISTOCRACY

I have tried to make it clear that two or three generations ago England

was under class government. This governing class, whether looked at from a political point of view or an economic point of view, consisted of a small group of persons who dominated all the interests of the English people. It is from this state of things that modern conditions emerge. The fact that aristocracy has passed away in a political sense is familiar. A great series of Parliamentary reform bills, the bill of 1832, the bill of 1867 and the bill of 1884 gradually extended the right to vote throughout England.

The Parliament act of 1911 gave the popular house, the House of Commons, power over the House of Lords, so that the House of Lords can now do nothing more than block the House of Commons for two years; and the Representation of the People Act of 1918 extended the right of voting to practically all persons who had not possessed it before. It included the previously disfranchised half of humanity, so that women are now represented as well as men; and took away plural voting, so that each person has only one vote. It practically equalized the electoral districts, so that since 1918, I presume England stands out in form of government the most complete democracy of any large nation that exists in the world or ever has existed. For the old political aristocracy the degree of democracy so far attained has been gradually substituted. It is only an embryonic form of democracy, but, at least, we have made a good beginning that is easily recognizable now. The same thing has been occurring in the other realm of ancient aristocracy, the economic field. This has not been, however, so simple a process, nor is it quite so easy to follow. Yet if we will look at it we will see, I think, that England and, less consistently, other countries have passed through very nearly the same series of phenom-



ena. A hundred years ago an employer, the man who provided the capital, might say, "This is my business. I will carry it on as I see fit, I will engage such people as I choose and I will discharge them when and how I choose, and I will carry the business on during such hours as I choose to carry it on. I will go into any line of business that pleases me. Hours, wages, prices, materials, labor conditions and marketing conditions, what I pay for labor and what I charge for my products are my own affairs and mine alone. My business is my inviolable personal property." He could say this with a certain amount of truth and a certain amount of general approval. But how long could he continue to say it? That is the question.

#### EFFECT OF THE FACTORY ACTS

As early as 1802 the first of the Factory Acts was passed. It was very slight but factory legislation gradually extended from bound children to free children, from children to those of 18 years of age, then to women. It extended to sanitary conditions of factories, to matters of machinery, ventilation, prevention of accidents, use of materials; it extended to mines, and as late as 1912 we have it extended to ordinary retail stores and restaurants, providing for holidays and scores of requirements as well as for hours of labor. Any employer who now or at any time within the last fifty years should say, as employers often do, "I started this business and I will carry it on as I see fit," will realize if he stops to think that he is saying something which he cannot support by facts. Some great power has intervened, some external force, like the force of nature, has intervened and taken away from him his power to carry on his business as he sees fit. It

allows him to engage only persons of certain ages, it does not allow him to carry on his work at night, it makes him shut up his shop on Saturday afternoons. A little chit of a girl can come into his factory or shop and say, "I am a representative of the Labor Department," and immediately he has to show her all over the place so that she can see if things are run, not as he wants them run, but in a way that is satisfactory to her; to see if the water is running, if there are enough chairs, and if there are rest rooms for girls, etc. She is a small representative of a large power. The government has come in and taken away from employers their control of many of the conditions of labor.

#### INCREASE OF GOVERNMENT FUNCTIONS

This is only one of many ways in which the state has intervened. The state has come in to say that if an accident occurs in a place the employer has to pay an indemnity, has to pay a certain amount toward the support of the persons who are injured or lost in the industry; that is to say, the cost of accidents in industry are incumbent on the person who provides the capital that carries on the industry. In England, every employer of labor is bound to pay a little something every week for each one of his employees as insurance against sickness, and in some trades against the lack of employment. One could go on with a long list of illustrations of the loss of control of industry by employers as individuals or as a class. The government has taken up part of the field of occupation. In 1861 the government started in with the Government Savings Bank. It then bought up the telegraphs, then the telephones. After this it took up the Parcel Post, then the government handed over the tramways largely to the local governments.

By the Town Planning Act, passed a few years ago, any town or local government is at liberty to build dwellings, open up suburbs with water-works and organize itself for all the purposes of living of its people. Thus the government has extended its field to compete in that of private industry. This is a great field, in which the old individual aristocratic control of business used to be carried on quite without interference. That field has been very much narrowed, very much invaded by other powers. Economic aristocracy does not flourish as it did once.

#### THE COÖPERATIVE MOVEMENT IN ENGLAND

Moreover, since 1844 there has arisen a rival power, though it is probably seldom recognized as a rival power. It does not worry employers very much now, but it is a very real threat nevertheless. This is the growth of the coöperative movement. In England from the time when twenty-eight weavers put in their pound a piece and bought some oatmeal and butter and other such groceries and began their little store, the coöperative movement has spread quietly but irresistibly like a flood. In 1864 they opened up their great wholesale store. Then they bought, one after another, the vessels which they sent to Holland, Denmark, and other countries to buy and transport goods. They opened up agencies in various countries. They bought up tea plantations in Ceylon and they own cotton lands in India. They own approximately 12,000 acres of farms in England. They have opened up factories for boots and shoes, woolen goods, flour, biscuits and a dozen other products. At the present time there are about 1,500 coöperative societies in England, with three and one-half million members. They have \$350,000,000 of share capi-

tal, and last year did almost an even billion dollars worth of business. Co-operation is not to be despised by any means simply as a business movement. Moreover, the coöperators are the most ambitious people in the world, the most sanguine; they look forward to the future as a field for illimitable extension, both in business and politics.

In April of this year, it was reported that a committee of the coöperative organizations of England had entered into a combination with the Labor party and the Parliamentary Committee of the Trade Union Congress, in which they agreed, to act together in the formation of a political party. In 1917 the coöperators determined, after a quarrel with the present prime minister, to go into politics and to recommend representatives for parliamentary seats. They are not strong enough politically to accomplish very much alone, but with the rising Labor party and with the whole trade union movement back of them, their political potentialities in the future are great. Their ambitions correspond to the agreement made that the three groups "will support one another in their respective and combined efforts to set up a new social order, with the ultimate object of the establishment of a coöperative commonwealth." It must be remembered that, if business organized under capitalistic management does not succeed in making production continuous or in carrying it on satisfactorily to the community, there is a great competitor standing alongside of them who is not attracting very much attention at present, but who seems in many ways capable of meeting English conditions, especially war conditions and post-war conditions. So in measuring the passing away of the old aristocratic control of business by the individual capitalist employer, we will have to include the building up of

this great democratic system of industry; a system of industry in which there is no employer; in which the same persons provide the management, the capital and the body of purchasers of the goods.

#### THE TRADE UNION MOVEMENT

The trade union movement is more than a century old in England, but it was just a century ago that it obtained what is sometimes called its Magna Charta, the bill of 1825, which for the first time made collective bargaining legal—the bill which allowed the trade unions to exist lawfully and to carry on their ordinary and most simple functions. From that time the trade unions have been steadily more and more fully legalized. In 1871 there was the great legalizing statute, which recognized them as having the advantages of corporations; in 1875 there was the modification of the criminal law, which provided that nothing which organizations such as trade unions did was criminal unless it was criminal for an individual to do it. In 1901 there was an unexpected decision against the trade unions, by which it was found that their general funds could be levied upon for losses suffered by employers in connection with a trade struggle, but in 1906 a law was passed in Parliament by which that decision was practically reversed, or, at least made inapplicable in the future. This provides that trade unions cannot be sued as unions for any action of their officers; that they cannot be sued for damages for any action that is carried on in connection with a trade struggle unless that action was illegal, and declares boycotts and picketing not illegal; so that the trade unions since 1905 practically cannot be interfered with by law in a civil sense, any more than they could since 1875 in a criminal sense. In 1909 there was another

decision that came unexpectedly to them. This restricted their right to use their funds to a narrow group of purposes; but in 1913 again a law was passed in Parliament by which a new definition was given of what constituted a trade union. This law enables them at the present time to use their funds for practically anything they want to. Therefore, trade unions have been gradually made as completely legal as any other organized groups of citizens.

During the same time the growth of trade unions has been almost continuous, until at the outbreak of the war there were about 3,000,000 organized trade unionists in England. In 1906 they had fifty-two "Labor" members in parliament, a number that has been increased to sixty-one at the present time.

The effect of the war on trade unions was apparently to intensify every form of their action, as it did almost everything else. The war has had very little effect on actually initiating movements in economics or politics or social life, but it has had a very great influence in increasing the rapidity of development of movements which were already in progress.

The war had four or five very distinct effects on the trade unions. In the first place it increased the number of trade unionists very rapidly. Large numbers of men joined the unions, especially after the second year of the war, so that now there are about 4,000,000 regular dues-paying members. Again, it brought new groups of persons into the movement—clerks, bookkeepers, post-office employees, government clerks, "black-coated unions," as they are sometimes called in England; and a whole series of persons, who had not before participated in the trade union movement, have now formed unions.

The war introduced a certain element of industrial unionism, and in 1919 Parliament passed a law making such amalgamations legal; that is to say, that organization of workmen should be by industries instead of by special crafts. It also increased the unwillingness of the rank and file of the working classes to obey orders, to submit to their officers. The series of events that we have seen within the last few weeks in the instance of the railroad strikers in this country is exactly what happened in England. Indeed it threatened to happen over and over again, right through the war, though successfully warded off each time. Trade unionists, however, are very restive, even under their own officers. Other effects were not less perceptible. The so-called "triple alliance" was formed. Three of the largest unions—the railroad workers with 650,000 members, the miners with over a million, and 250,000 transport workers—have not only been closely organized but they also have formed a combination, at least for defensive purposes. They have, as a matter of fact, never yet acted together, though they have recently acted one at a time. If they should ever act together, social and economic life in England would be paralyzed; it would have all the characteristics of a general strike.

Thus the war intensified all trade union movements, so that at the present time no employer can carry on his industry without dealing in some way or other with a union. Whether he likes it or not, whether he considers it good or bad, the fact is that the old aristocracy of economic life has come to an end, whether by intervention of the state, or by the rise of another element in industry into a position which makes it so powerful that it has to be carefully considered.

The remaining point that I want to

mention as a result of the war is that in these latter days in England there has been a very visible spirit of democracy infused in all affairs. The readiness with which the proposed Whitley councils were accepted by employers, employees and the government is a good indication of this.

#### ECONOMIC DEMOCRACY IN ENGLAND

Finally, the state of affairs I have been trying to analyze is a continuous one. There has been no period of twenty years during the last one hundred years in which some contribution was not made to a more controlled social treatment of industrial conditions than existed before, or in which the old control of industrial affairs by the employers was not intruded upon in one way or another. An employer who now declares that the business in which his money is invested is his own, to do with as he wishes, without interference by others, is as impractical and is engaged in as hopeless a struggle against the spirit of the times as was Charles I, when on the scaffold he declared that government was no concern of the people, or the Duke of Wellington when he opposed the first reform bill on the ground that England already had the best possible form of government, because she was governed by her propertied classes. The spirit of democracy, the spirit of control by persons other than capitalist managers, is merely the final step up to the present time in English industrial development. It is quite evident that this movement has been going on for a long period, that it is not simply a momentary claim by the labor class, but has been carried on along three or four lines, the rise of state control, rivalry of another form of industry growing up alongside of capitalistic industry, a self-assertion of the working classes and their insistence



on having a larger amount to say in everything connected with industrial life. Such a continuous movement as this, so analogous to the movement for political democracy, so wide in its extent, cannot be expected to stop short of some great epoch-making change. It obviously has all the characteristics of evolution in human society. It is part of the organic growth of the community.

If we look from England to other countries we will find that we have to trace much the same steps, the same

intrusion of the state, the same growth of the organized working classes, the same spirit of democracy coming into the public attitude toward industry, that there has been in England. Therefore, the trend toward industrial democracy, from the historian's viewpoint, is a general and permanent trend. It is a movement which has all the characteristics of long continuance, of wide application, of existence in many countries, of continuity and of rising force as the years have gone on, until we are now in the very thick of it.



# Industrial Principles Applied in the Shops of the American Sash and Door Company

KANSAS CITY, MISSOURI

By F. J. Moss

President

**I** SHALL state only the fundamental principles which I believe to be basically sound because, assuming that the wages or salaries paid in each individual case are in keeping with the worker's worth to the business, the returns to him under this plan are in the exact proportion that he contributes to the success of the business. I state "returns" to the worker, which, of course, include wages and his share of the profits.

In arriving at returns to labor and capital under my plan, the purpose has been to determine what in fact is the correct return, rather than to state what in my opinion, or the opinion of any other person, might be the correct return. In order to do this I have dealt with only two factors of cost, viz., labor and capital, which is correct, because in the last analysis, regardless of the number of divisions and subdivisions in cost accounting, there are but two factors of cost—labor and capital.

Applying this rule, the following principles are what I am contending for, and putting into operation as far as possible in the absence of this or some other plan being generally adopted.

## RETURNS TO LABOR AND CAPITAL

The product of labor today, if conserved, is capital tomorrow; and because a worker has not the capital to invest in the business in which he is employed, or possibly is not permitted to invest, is no justification for depriving him of the profit on that part of the

capital he provides, which is represented in the wages received. That is to say, if the actual vested capital in a business undertaking is \$800,000 and the payroll (including salaries and wages of every nature) is \$200,000 per annum, then labor has furnished one-fifth of the capital, and should receive one-fifth of the profits made during the year, after paying a fair rate of interest upon the vested capital. Thus the returns to labor and capital in the business is in the exact proportion to the contributions of each.

## ORGANIZED AND UNORGANIZED LABOR

It is generally admitted that organized labor, operating under union rules and restrictions, is far less efficient than in the case of unorganized labor. Therefore, it is the height of ingratitude and stupidity to pay a lesser wage to the loyal non-union man than is paid to the organized group of workers in the same industry, as it has the effect of forcing other workers in self-protection to organize or join the union contrary to their wishes.

The crying need in all lines of business is more production, and yet every influence at Washington has encouraged shorter hours, even during the war when patriotism should have inspired every man to his maximum production. Our people have been led to believe that they can work fewer hours and enjoy the same comforts if the wage rate per hour is increased. We must get back to sound principles and encourage industry and thrift.

In addition to paying unorganized labor the same wage as organized labor, good morals demand that we recognize what every student of cost should know, and that is that the longer work hours effect a saving to the manufacturer in the overhead expense; that is to say, the 9-hour work day effects a saving of approximately 10 per cent on the overhead burden as against an 8-hour work day. Plain justice demands that the saving thus effected should go to the worker because it not only effects a saving in production cost, but also increases the output and sales upon which the additional profit can be realized. The invariable and universal rule should be that if the wage scale for an 8-hour day is 70 cents per hour, the 9-hour-per-day worker should receive 77 cents per hour, and the 10-hour-per-day worker should be rewarded on the basis of 84 cents per hour.

In indicating the wage rate per hour and saving effected, it is for the purpose of illustration only, the principle being that the saving in the production cost, by reason of a longer work day, should go to the worker. Until this principle shall have been generally recognized and made a part of our industrial system, we will suffer from industrial paralysis. We cannot have industrial harmony in the absence of justice both to employer and employee. With justice will come efficiency, increased production, and increased earning and consuming capacity.

#### FAIR BUSINESS PRINCIPLES

It is futile for us to close our eyes to the fact that it is human to be selfish. That being the case, it should not be left to any one man or group of men to demand or exact the enforcement of their will at the sacrifice of good morals. Some of our captains of industry advocate as a principle to deal

liberally with labor, and yet we know there is no question upon which men differ more than upon the question of liberality; all of which argues in favor of establishing a uniform basis or set of principles that are admittedly fair to all concerned.

The establishment of these principles should engage our best thought. To this end I suggest that within each industry a committee or commission be established consisting of three or five members, more or less, as may be necessary, to be chosen by the industry and to be composed of trained experts, none of which shall be interested in the business as such, so that they may be without prejudice, and at the same time familiar with the problems of the industry. This committee shall keep on file constantly the wage scale in effect at every plant in the industry. These records are to be available to anyone upon request. At the request of an employer or signed petition by the majority of the employees in any one individual business, calling for an investigation bearing upon the question of wages or work conditions, such investigation shall be made, and at least a part of the expense is to be borne by the parties making the request. The report of the findings shall be filed—a copy with the employer, a copy with the employees and another copy with the public press.

What I have in mind is the all-potent factor of public opinion. When properly informed public opinion will invariably be found on the side of good morals, and under a plan such as suggested, an appeal to the board for investigation would not be made except in cases where injustice was being worked; and no employer or group of employees can stand against right and the power of public opinion.

I have outlined only the outstanding principles which are based on good

morals and sound economics. When labor is assured that it will take out of the business all of the profit on all that labor contributes to such business, and when this rule has become generally established, there will be no cause for radical labor leadership, nor likelihood of labor unrest nor discontent.

We must approach this subject with a thorough understanding and admission that selfishness on the part of a few employers is largely responsible for

the present feeling of discontent. Moreover, it is clearly our duty to take such steps as may be necessary to cure these evils within our own ranks, at the same time being in position to resist any unjust demands that may be made, growing out of an organized group of men seeking to enforce their will, regardless of whether it is right or wrong, and regardless of the hardship that it might work to their employer or the industry.

## Democratic Organization in the Leeds and Northrup Company, Inc.

By MORRIS E. LEEDS, President

SUCH phrases as industrial democracy and the democratic control of industry have in the past few years come into wide use in connection with a great range of economic experiments, all of which have in a general way as motive a wider sharing of the control and rewards of industry among those engaged in it. However, there does not seem to be any common agreement as to how the conception of democracy taken from the realm of politics shall be given an industrial translation. In political life we think of democracy as a form of government in which all who attain the status of voters have equal authority, but among writers on industrial subjects few, if any, seem to have that conception of it. They do not suggest as a program for the present or even a goal for the future that every one engaged shall have an equal vote in electing the management, and I cannot find that there is in this country any large group of people who believe that such a program should be an ideal future goal. Thoughtful representatives of organized labor, in common with all others who know the complexities of modern industry intimately, recognize the fact that those who have the responsibility of management have to deal with great ranges of problems which require such specialized training and talents that there are comparatively few who are competent to pass judgment on their capabilities.

### THE KEYNOTE OF INDUSTRIAL DEMOCRACY

Equality of opportunity is another expression of democratic idealism

which may be contrasted with equality of power, and is one which it seems to me is much more reasonably applicable to industry. I suggest that it should be the ideal of democracy in industry to insure equality of opportunity—not equality of power or equality of reward, but an equal chance for each to rise to that level of reward and power for which he is qualified.

To illustrate this conception of democracy in industry I shall outline two elements of the organization of the Leeds and Northrup Company, which is engaged in the manufacture of precision instruments and employs some four hundred and fifty people.

### INDUSTRIAL ORGANIZATION

The first element is that which has to do with the executive group, using that word in its wide sense as applying to all the minor as well as the major executives. This element of the experiment is based on the belief that our modern capitalistic industrial system, evolved during the past one hundred and fifty years, with its great and beneficent wealth producing powers, has been, in spite of its glaring faults, a tremendous advantage to our civilization. The conviction that no suggested substitute for it promises anything like equal advantages, and that, therefore, it is fundamentally important that it be conserved and developed and that this can be done only under the management of competent executives.

In order to conserve the hard won experience of the past and on that firm foundation build a structure for the

future even more socially useful, the executives must not only be competent but must also have a social sense of responsibility for the welfare of all those engaged in the enterprise as well as for that of the public. In the belief that there is no other single factor that will contribute so much to this viewpoint, we make it obligatory that the controlling power shall be vested only in those actively engaged in the business and that the executives shall be the real owners of the voting stock, and not responsible to absentee capitalists.

#### *Voting Privileges*

The plan provides that only those who are holders of a form of employees' shares shall have voting rights. These employees' shares may be sold only to such employees as have been with the company for at least five years and who receive a salary of at least \$1,500 per year, but they are not sold by a set plan to anything like all of these. At any time that there is to be a new issue, the trustees, who are the qualified representatives of the holders of employees' shares, decide to what individuals new stock may be issued and how much shall be issued to each, it being the intention that this most qualified group shall select those who are most likely to contribute to the future welfare of the undertaking. When a holder of employees' shares goes out of the business for any cause, his holding is automatically converted into a form of investment shares which draw a fixed and preferred dividend, but do not have a vote except in the contingency of the dividend not being earned. The employees' shares are sold, not given, to those to whom they are assigned. Their value is ascertained by a fixed method, depending on the earnings of the business for a number of years preceding the time of sale. It will be noted that this arrangement makes it possi-

ble to allow any employee of experience to become a holder of the controlling stock, and further that it intends to place the major holdings of this stock in the hands of those who are most competent to exercise control wisely.

Such arrangements as these have much more influence in securely attaching to an organization an able group of executives than would at first thought be expected. A man has a much greater incentive to stay when he is assured that he has an opportunity to succeed to such portion of the management as his abilities and service may justify, and he is under much less temptation to go out and take part in a competitive enterprise than when the form of organization makes it reasonably sure that the control will succeed to some fortunate inheritor of a majority interest. The experience of the Leeds and Northrup Company seems to indicate that executives chosen under this plan naturally come to regard themselves as important elements of an organization which has large responsibility for the welfare of all engaged in it and distinct obligations of service to the public.

#### *The Coöperative Association*

Naturally, the group of actual and potential executives is a minor fraction of the employees, and no scheme of organization could reasonably call itself democratic that did not take into account a very much larger group. To meet this situation the Coöperative Association was organized a few years ago and includes in its membership all of the employees of the company from the latest comer to the president. This association belongs, perhaps, in the general family of shop committees, but differs from most of such committees in its all-inclusive membership.

The formation of this association was a deliberate and democratic procedure.



The project was discussed in the first instance by a comparatively small group of people who approved it and began to give it a definite form; then by a larger group of some sixty of the older employees, who also approved it and further contributed to its definiteness; and following that, by a group representing all of the employees. It worked for something over a year with a provisional constitution, during all of which time it had a constitution committee under appointment. As a result, the constitution in its present form embodies a considerable amount of actual experience. The Coöperative Association has for its object—quoting from the constitution—"To preserve and strengthen the traditional bonds of coöperation between the company and its employees to the end that through understanding and just dealing with one another they may promote their mutual welfare and may jointly render effective service to the users of scientific instruments and to the public."

When the association was first formed there was no consideration of limiting its members to a particular group of workers. Later on, the question was raised as to whether it should not be limited to manual workers below the grade of foremen, with possibly other associations or committees representing other grades of workers. The question was thoroughly discussed, and there was unanimous agreement that the best interests of all would be served by recognizing the essential unity of interest of all employees and by having them all represented in one association rather than by having two or three associations representing limited groups with limited viewpoints.

The association functions through a board of councillors, which is elected at large by the proportional system of

representation, each employee having one vote unless he has been with the company more than three years, in which case he has two votes, experience being thereby given additional weight. This additional weight was considered important by the older employees and has not, so far as known, caused any dissatisfaction among the newer ones.

#### *The Two Purposes of the Coöperative Association*

The name "coöperative" is properly descriptive of the activities of the association in two ways. The first purpose of the association is coöperation among the employees in a wide variety of activities in which they can be mutually helpful. Among these may be mentioned athletics, entertainments, such as dances, dramatic clubs, etc., lecture courses, accident and sick relief associations, coöperative store, oversight of dispensary and lunch room and the publication of a paper. The second manner in which the work is coöperative is in relation to the problems that have to do more directly with the business and in which the employees have a vital interest. Among these are the good order of all parts of the building and grounds, convenience and comfort of work places, locker rooms, washrooms, etc., plans for the most rapid possible assimilation of newcomers, hours of work, overtime pay, lateness and absence arrangements, holidays, procedure in safeguarding employees in case of discharge, and wages.

The association has active committees on all of these subjects. Those which have to do purely with the activities of the employees as a group of people mutually associated, such as athletics and entertainments, function without any contact with the management of the business. Those which have to do with the second group of

subjects, such as wages, work in coöperation with committees on the same subject appointed by the management. In other words, these committees are joint committees. Most of them are standing committees. Through the agency of these committees a large range of subjects of the class mentioned has had very frank and thoroughgoing discussion, and many of them are still under discussion. Just now the wages committee is a particularly important one, as it is endeavoring to evolve a definite payment policy and in addition has under consideration all such questions as vacation arrangements, hours of work and overtime pay.

Only after many years of experience with an association like this, under varying business conditions and with a changing personnel, would one be justified in pronouncing it a success or failure. The Leeds and Northrup Coöperative Association has been organized only long enough for us to have had experience with two councils, but during that time we have gone through the vicissitudes incident to a great rush of war work, a sudden slackening at the signing of the armistice, and during the past few months a rapid increase in business. These conditions have introduced many important problems which have been discussed by the company with the council. The net result of all this discussion is a strong feeling that the interests both of the employees and of the company have been distinctly furthered by this frank mutual discussion.

In all of the subjects under the second group, such as wages, and hours of work, in which the council gives active assistance in forming the company's policy, it does not have any actual power. The final authority rests with the management. There is always, however, an earnest effort on the part of both sets of members form-

ing the joint committees to arrive at conclusions that will be acceptable both to the employees and to the management. Anyone who has dealt with similar situations will recognize that the council has in its power to consider these subjects and to call for joint discussion of them with representatives of the management, very real if not formal powers, for the management could not lightly turn down recommendations arrived at after such careful discussion.

Experience has shown that the rank and file of the employees elect to council a considerable number of representatives of the grade of foremen and subforemen in spite of the fact that their very much larger numbers would enable them to make up a council composed entirely of people below these grades. The fact that the council has in it representatives of all departments of the business, including the sales department, and representatives of varying grades, results in a much more satisfactory discussion of questions than would be likely otherwise to take place. With a council thus made up I believe there is much less likelihood of a one-sided viewpoint becoming crystallized, and therefore difficult to adjust, than would be the case with a less representative council.

Among its minor advantages service on the council and its committees is an admirable means of discovering and training people of executive capacity.

I hope that this brief sketch of these two elements of our organization may have given a fairly clear impression of the ideas and ideals underlying our experiments in industrial democracy. Through the many activities of the Coöperative Association and its numerous committees which in one way and another touch a wide range of employee interests, we hope that the employees may acquire a continually

growing knowledge based on real experience of the conditions under which groups of people can work together for their mutual good, and may come to see how closely their interests are bound together with the welfare of the company, and how both depend on worthy service to our customers. We can see that the association is bringing about these advantages.

We hope that the contacts typified by work on common committees may keep the management in sympathetic touch with all classes of employees and keenly alive to their needs as men and women, who, if industry is to perform its proper function, must be enabled to lead the self-supporting, self-respecting lives of good citizens. The management has profited by these contacts and fully expects to continue to do so.

We hope that the full discussion of the wage problem may lead toward the fundamental basis of high wages, namely, large production and fair treatment of the public; and that satisfactory methods may be worked out for giving payment to each worker, whether with the hand or brain, that is justly proportioned to his contribution. On this problem we can report but little progress as yet, but we believe that there is a substantial basis for that hope.

Through various forms of educational work and the activities of the personnel department we try to see that each worker is helped to advance as rapidly as his capabilities and the opportunities above him permit. We always seek to fill new positions by advancing our own people whenever there are any who are at all qualified, and

thus keep the path of progress open to them.

In all this there is nothing radical, perhaps nothing that is even new in the sense that it has not been used elsewhere, although the particular combination of elements that make for democracy, in the sense of equality of opportunity, is probably unique.

It is not part of my purpose to attempt an estimate of a possible wider application of these particular plans, nor would I have it inferred that I believe that any form of organization can in itself make much of a contribution to the solution of industrial troubles. In order to be useful an organization must be the expression of a right spirit in industry, a real desire to do justice among all of those who are employed in it and to render worthy service to the public.

In closing I must acknowledge obligation to the published information in regard to the Dennison Company; to the Filene Company for most valuable advice and information in connection with the Coöperative Association, and finally I must pay a particular tribute to the works of Ernst Abbe and his establishment of the Carl Zeiss Foundation to manage the famous optical works at Jena. Although we have copied little, if anything, from that organization, his splendid idea of dedicating his industry to the welfare of the totality of its co-workers, to the advancement of the art and science of optics and to the good of the public, so magnanimously conceived, so firmly based on sound practice, and so magnificently successful long after his death, has been most inspiring.

# Industrial Democracy

By ROYAL MEEKER, PH.D.

Commissioner of Labor Statistics, United States Department of Labor

**I** MUST state that I have never within my recollection felt so gloomy as I do at the present moment. I do not feel hopeless, but I do feel that perfectly needlessly we are heading for the rocks. There is no rational reason why we should go through the agony of an industrial smash-up, followed by a period of depression, in order to cure the evils that now afflict us. I do not wish to fill the office of a prophet of disaster, but I feel that the situation has not been bettered since the signing of the armistice. In fact, I think it has pretty steadily worsened; that the breach, the gap, between—shall I say capital and labor—has widened.

## CAPITAL AND LABOR *vs.* MANAGEMENT AND MEN

I do not like those terms capital and labor. They do not express the truth. They mislead in a very considerable degree. The whole matter is a matter of men—the men who manage industry and the men who work with their hands in industry.

What is capital? It consists of plows, machine tools, engine lathes, planers, mines, forests, farms and horses, etc. Capital has no thinking apparatus. You cannot have a fight with capital. You cannot come to blows with an engine lathe. I have seen men stub their toes against the rocker of a chair and use language which I will not attempt to repeat and assail the rocker and kick it around the room; perhaps you could have a fight with capital in that way, but that is the only way. There is no

such thing as a quarrel between capital and labor. What is labor? It is an abstraction. The trouble is between management and workers. Workers and management, not capital, not the owners of capital—it is management and workers. The workers have no quarrel with capital as such. They have no contact with owners except as owners are managers in industry or influence the management of industry. The quarrel is bipartisan, not tripartisan. The public comes in as a third party, to be sure, but who is the public? If we are considering all industry and all workers there are only the two elements—working men and managers of industry. If you are talking about the Philadelphia Rapid Transit Company, then you have the workers, the managers and the public, but let us draw a veil over that. The quarrel, the trouble, the disjointedness, the lack of harmony, is between workers and management.

I have worked with my hands and I have worked with my head, and I was not conscious of any revolutionary change in my psychology when I was transmogrified from a manual laborer into an academic teacher, nor was I conscious of any revolutionary change in my psychological make-up when I left the teaching profession and entered the public service of the United States. In fact, there is no difference in the psychology of the men who manage and the men who are managed, and that is one of the principal difficulties in the whole situation. They are so much alike and yet they are so different because they are in different economic



positions. Industry has been organized on the principle of a definite separation of functions between management and men.

#### DEMOCRACY, POLITICAL AND INDUSTRIAL

We have heard a good deal about industrial democracy. However, one man's industrial democracy means something the very antithesis of the industrial democracy of another man. We certainly need to get down to fundamentals, to the description and definition of terms. The time has arrived when we must define our terminology. We must know what we mean by industrial democracy. Political democracy is still in its first experimental stages. It has not yet demonstrated that it is the system of political government, of political machinery that is destined ultimately to survive, to continually develop to that state of perfection of which Goodwin spoke so many years ago. Industrial democracy has hardly yet entered the experimental stages. If we are in doubt as to whether political democracy will ultimately survive in the struggle for existence, we are even more in doubt as to this thing that I mean by industrial democracy. But we have taken a few feeble, tottering steps on the goal toward political democracy, and we cannot retrace those steps if we would, and we do not desire to retrace those steps. The only possible direction for progress to make is to continue the march toward political democracy. The same is true of industrial democracy. We cannot turn back if we would. We must march forward in the direction in which our faces are now set. I imagine that the ultimate outcome will be a compromise, as is the case with every outcome that I am acquainted with, both in political and economic history. There must be,

as I see it, a combination of democracy and autocracy.

I must speak in concrete terms; I am not a good abstracter. I am the Commissioner of Labor Statistics, and I have under my immediate direction one hundred and fifty and sometimes as many as four hundred employees. I simply cannot listen to the grievance of every individual employee even in that very small and compact bureau. Administration is merely another name for action. Action requires centralization of authority in the administrative heads. A democratization of industry which would substitute a debating society for responsible administrative heads is just as impossible as the system by which the managers do all the ordering and the workers do all the obeying.

Allusion is often made to the efficiency of private business and the inefficiency of the public business. I am willing to call for a show-down of my bureau with any similar bureau in any private industry of the country. I think per man and per dollar of appropriation the Bureau of Labor Statistics turns out more worth while stuff than any statistical Research Bureau in any private organization in the United States. The public business has very great handicaps to labor under needless handicaps, and handicaps that could be removed very simply by a simple revision of a single chapter in the Civil Service Law. Those inhibitions should be removed. I am glad of the criticism, the intelligent criticism of the conduct of my bureau or any other bureau in the federal government, but let us try to avoid sweeping condemnations. The public business is, on the whole, well conducted.

There must be autocracy in the management of my bureau, as there must be autocracy in the management of every bureau, every department in every industry, public and private, to



which you can refer. There must be a combination of democracy and autocracy. I hope to be able to devise a system of checking up, so that the autocratic power that must be exercised in order to keep the bureau functioning at all will be constantly checked up by the democracy of the employees in the bureau. I think that probably such a system as that is as near ideal as we can hope to achieve in this vale of imperfection. We must have power to get things done. We cannot conduct the government business or any other business by a debating society. That is one of the principal troubles with the government business—that it is conducted very largely by a debating society.

#### FOREMAN'S PART IN INDUSTRIAL UNREST

The foreman is not the cause, he is just the symptom of industrial unrest—and he is not a good symptom. He is the boil on the neck of industry. As Professor Hotchkiss has pointed out you cannot discharge the foremen, the gang bosses, the straw bosses, if you so desired. There are none to take their places. They must function until something better is devised or until they are educated. I do not know which will be the victor in the struggle for existence. I rather suspect that a large number, perhaps, a large majority of the perfectly useless parasitical foremen and straw bosses that are responsible for the immediate irritation in so many of our big industries will be abolished and put to doing something useful. The others will be educated until they know their job. They must be vocationally educated and vocationally guided and vocationally placed, and the fellows that are not competent to handle men will not be handling them.

#### VOCATIONAL TRAINING AND PLACEMENT

We must put our brains to devising a real program for vocational training and vocational guidance and placement. The principal business of a citizen is to make a living. We are told that children should be kept out of industry. I am in favor of keeping them out of industry, if by keeping them out of industry we can keep them in something better. But we want to be sure that our schools are at least as good educational institutions as our factories before we decide upon a program of keeping the children out of the factories and keeping them in the schools. We are told that the jobs that children go into are blind alley jobs. Do we ever stop to think that our schools are also, in large part, blind alley jobs? Only a very few of our schools, a very few of our educators, have realized what the public schools really ought to be. Only a small minority of our schools are really educational institutions preparing boys and girls for citizenship, which means preparing them to make a living in the way best suited to each. First of all, fluctuations in employment must be done away with so far as it is possible. It will not be possible to reduce unemployment to zero, but it is perfectly possible to reduce it by 50 to 90 per cent in all industries.

#### THE WORKERS DESIRE RESPONSIBILITY

I have worked in a good many industries and I think it is perfectly possible to bring about an alliance between management and men. Perhaps, in the ideal state it will be all management and all men; perhaps that will be the ultimate working out of industrial democracy. Who established the present industrial system? Did the workers put it into operation?

They had nothing to do with it. The industrial revolution came along and the laborers did what they were told to do. They were put on the wage system and they have stayed on the wage system, and a good many workers now are asking for participation in planning the work, in carrying it out, something to do to relieve them from the deadly monotony of minutely subdivided industry. The workers do not want to accept a wage and no responsibility. They do not want to be assured of a perfect cinch in income, letting all the responsibilities for the ups and downs and vicissitudes in industry be carried on by this little bunch of segregated managers in industry. The managers of industry have not demanded enough of workers. They have simply demanded a mechanical contribution to production. They have made no demand upon the worker's brain at all. We can do a good deal toward curing the present industrial unrest, we can do a good deal toward stabilizing industry, by putting a greater demand upon the workers. The workers will not only welcome that but they also have been clamoring and clamoring in vain to have more responsibility put upon them. The workers are not afraid of assuming responsibility. To be sure, they want a greater participation in the product of industry, but the workers who have really thought on this subject are willing, are ready, are anxious to take the responsibility that goes with proprietorship. We must give the worker a proprietorship in industry, we must give him ownership of his job. That means we must stabilize the jobs. We must do every-

thing possible to smoothe out the kinks in the employment curve.

#### INDUSTRIAL LEADERSHIP NOT INDUSTRIAL DRIVERSHIP

Industrial leadership is a whole lot better than industrial drivership, and the substitution must be made. There are, however, at least two kinds of industrial leadership. There is industrial leadership for the benefit of the leader and industrial leadership for the benefit of the led, for all concerned.

I am reminded of the story of the old farmer and his mule. He possessed the laziest mule ever owned by a farmer. He could not get the mule to walk fast enough when he plowed, and he devised this very ingenious device. He hung a bunch of hay on a stick attached to the hame so that the hay dangled just in front of the mule's nose. By that lure the mule was induced to walk fast. He continually reached out for the suspended bunch of hay, walked continually toward it, and it continually kept in advance of him, and in that way production was increased enormously on that farm. But the product was not divided equally between the farmer and the mule. Some of the bonus systems in existence are very similar to this ingenious device of the farmer. These systems might not inaptly be denominated "hay bonus systems."

Industrial leadership must be substituted for industrial drivership. We must have the right kind of industrial leadership. I believe in political democracy. I believe in industrial democracy. I believe that ultimately we are going to work these things out.

## The Meaning of Labor Representation

### THE AGREEMENT IN THE CLOTHING INDUSTRY

By WILLIAM M. LEISERSON

Chairman, Labor Adjustment Board, Rochester, N. Y.

**T**HIS is a time when many experiments in labor representation in industry are being made. I shall try to describe briefly our experiment, and the other experiments that may be presented to you. It is important first, however, to get an idea as to the meaning of these experiments. What is their purpose and why are we experimenting?

#### LABOR REPRESENTATION IN INDUSTRY

Without going into the arguments that seem to me to justify the conclusion, I think that labor representation in industry is the principle that government derives its just powers from the consent of the governed, working itself out in industry. It began in the church and was followed in the state; and when you lay down a principle like that, that appeals to men and women, it is bound to work itself out in all phases of life. The workman does not often come in contact with municipal laws, state laws or federal laws. But every day he is working under rules and regulations and laws in his industry, and he feels that these laws, if they are to be just, ought to have the consent of the workers, regardless of the fact that the stockholders may have the legal title to the business and the law-making power may have been given by them to certain managers or directors. He feels just as our colonists felt in the days of the American Revolution. The colonies may have been provinces of the king who may have had the legal title

to them, but if he were going to make any laws for the colonists, they were going to have some say in the legislation. The wage earner today feels exactly the same way. "If I've got to come at 7:30 in the morning or 8 o'clock in the morning and work till 12 and then have a half hour or an hour for lunch and then come again, and I have to obey this rule and that rule, I ought to have some say about all of this."

Because the worker feels the factory rules and regulations are laws binding on him, he demands representation in industry. That it is a demand which will have to be met is proved by the fact that not only is organized labor pressing for representation through its method of collective bargaining, but employers and managers of great industries, such as were just described to you, are also seeing that in order to get their laws and orders obeyed they must give the working people representation. Otherwise, the management's laws are not obeyed. The industrial monarch finds he cannot enforce his laws. He either has a strike of a group or else he has a turnover of labor, which is the result of individual strikes of single employees.

These are the reasons for the growth of labor representation plans. When we get this representation, as we are now getting it fast in industry in very many forms through trade unions, through company unions, through the so-called industrial democracy plans, it means that a tremendous revolution in the status of the wage earner is taking

place. It means that a hundred years from now, when the historians will be writing about it, they will describe how the wage earner along about 1920, or thereabouts, passed from the status of a servant, from the master and servant status, to the status of business associate or partner of the employer.

#### PARTNERSHIP BETWEEN LABOR AND CAPITAL

You have heard a great deal about employers and workmen, capital and labor, being partners in industry. Partnership between labor and capital is coming to mean that the management or the owner of the business must look upon labor as the equal of the management. When we have such a partnership, two equal partners, then one partner cannot do anything without consulting the other partner. That is partnership. Moreover, these industrial representation plans, however imperfect they may be now, all tend to make labor and capital equal and partners in the business.

#### NEW STATUS OF THE WORKER

Just such a revolution as is going on now, changing the status of the wage earner from that of a servant to a business associate of the employer took place about six hundred years ago in Europe; and the circumstances that marked that revolution are very similar to the conditions that attend the industrial revolution that is going on now. If you will read Thorold Rogers' *Six Centuries of Work and Wages*, you will find him describing the shortage of labor after the great Black Plague and the enormous rise in wages. The cost of labor became unprecedented. Prices rose tremendously, and as he said, in modern times we would say these workmen—these serfs—organized into unions to get higher and higher wages. The king issued proclamations against

it; Parliament enacted those proclamations into laws, to keep the wages from rising, to prevent combinations of workmen. But as Thorold Rogers says, the serfs and peasants and the laborers remained masters of the situation. That revolution changed the status of the worker from that of a serf to a wage earner, and the revolution today, despite the same kind of proclamations by the government, despite injunctions trying to make people work, orders and raids of the Department of Justice to scare people into working—will not stop the revolution in the status of the wage earner which economic conditions make necessary. The serf became a wage earner, and today, in spite of injunction or court orders or anything that Congress can do, the wage earner will become an equal business associate in industry with the employer.

Wage earners are refusing to remain a lower class in the community where they are supposed to stay at a certain level of wages and living, with their children not supposed to go to college, and their families supposed to live in the poor district of the city. That is passing and today, as one of them said to me, "It is fine. This overall movement is great. Let the capitalists and the middle classes wear overalls now. We'll wear the good clothes." That tells the change in the situation, and it is not a thing to be overlooked in our understanding of these labor representation plans. We must recognize it in order to know how to adapt industry to this new status of the worker and how to meet his demand for a right to a say in making the laws that he has to obey.

#### PLAN OF REPRESENTATION IN INDUSTRY

Just as we had many plans and many ways of doing it, when we passed



from a monarchical form of government to a democratic form, just so we are having many experiments today in industry. These plans of representation may be classified into three general groups, depending upon the purpose underlying the plan. In some industries the employers have studied the situation and, being foresighted, have decided that the time has come when the workmen must be given a voice and a vote in industry. Other employers have decided on the same thing because their employees, organized into unions, have forced them to the point. So we have one set of plans, either those brought about by the ordinary trade union or those brought about by employers themselves, where the wage earners have not only a voice in industry but also a vote equal with the management or the owners of the business, so far as labor conditions are concerned. When there is a disagreement, decision is made not by the directors or the president of the company but by an outsider, who may or may not be a representative of the public. Anyway he is an outside arbiter between the two parties.

That is one plan. There are other plans—and most of the so-called shop committee or works council plans are of this character—where the management has decided to give the wage earners a voice in the industry, but not a vote in the industry. This is the kind of plan that the Czar of Russia had when he organized the Duma; the King of England had the same idea about Parliament in its early days, that is to say, you can discuss things, bring your grievances before the management so that the management will be thoroughly informed as to workmen's reaction to its policies; but it is still felt that the management knows better what to do for the industry than the wage earners.

It is recognized that, lacking information, the management might go wrong. So the management says, "All right, we will give you a voice. Tell us all your troubles and then we will be in a position better than you to decide finally." The wage earners are given no vote but merely a voice. They elect representatives—that kind of a vote they do have—but the representatives have nothing to do with determining wages, hours and other conditions of employment.

Then there is a third group of plans—too many, in my opinion—which give the form of democracy but not the essence. In this plan we have elaborate machinery of election, secret ballots and all sorts of arrangements giving the form of democracy, but neither in actually voicing the sentiments of the wage earners nor in any final deciding vote do the plans provide for any real or effective representation of the employees. Very many plans are of this kind. In these, the management thinks that it will make a concession to the prejudice in favor of the democracy that is in the public mind but in reality nothing will be done to meet the demand for democratic government in industry. But the employers will not be successful in providing the mere forms of democracy without the essence that was tried by very many governments when the time came to pass over to democratic government. It was bound to fail because the democratic movement, whether we agree with it or not, whether we like it or not, whether it is efficient or not, works itself out in all phases of life.

#### *Development of Representation Plan*

In the development of these representation plans we have heard a great deal about shop committees, works councils and industrial democracy



plans. Many think that the main movement for democracy in industry or representation in industry lies in these company unions, as the wage earners call them. As a matter of fact, in the last four years when this shop committee movement has made such great progress, during those same four years 'organized labor—plain, ordinary trade unions—has increased its membership; that is to say, they have added to the membership that they had before more wage earners than are included in all the shop committees and works council plans put together. The union's representation in industry idea is summarized by the term "collective bargaining." Its essence provides for collective bargaining between employer and employee, and the point I am trying to make is that the main kind of collective bargaining that we have in this country is that which goes on between trade unions and employers. Very many more shops are organized as trade union shops than there are shops having committee plans. That does not mean that there may not be value in the shop committees or works councils, but we should not overlook the fact that when we speak of collective bargaining and representation in industry, the typical form and the form that is making more progress than any other is that which is provided by a so-called outside trade union dealing with the employer.

#### COLLECTIVE BARGAINING IN CLOTHING INDUSTRY

In the clothing industry we have that kind of an arrangement. There the employees have organized themselves in practically every market where clothing is made. They have a union, and they have said to the employer, "We are not your equal in talking with you individually. You

know all about markets. You know all about business. You have lawyers. You have employment experts and time-study men. We have none of those people but we have organized a union and we can get the same kind of experts now, and we want our experts to deal with your experts and then we will deal on equal terms and get somewhere." So the employers and the union have entered into an agreement, laying down the general terms and conditions under which working people will work in this industry. Just the same as in the first setting up of parliaments the burghers from the city said, "We will lay down certain conditions under which we will pay taxes to this government;" and as those conditions became the basis of democratic government, so the conditions agreed upon between employers and the union, written out in an agreement, provide the constitution for the industry.

Constitutional government is established through this agreement. Then this agreement provides that the experts from each side—labor managers for the employers (each large factory having a labor manager and the smaller ones grouping together and jointly hiring a labor manager) shall meet together with business agents or business managers or walking delegates or deputies from the union, who are the workmen's experts, and they meet in a board which they call the labor adjustment board. That labor adjustment board meets from week to week and modifies the agreement, or rather explains the agreement, enlarges it to fit the conditions from day to day. That is the statutory body, that is the legislature that makes the law for the industry. When they cannot agree they take their question of disagreement before the man who is the chairman of this particular board, and he sits alone as a court and decides the case, not accord-

ing to any ideas of justice of his own that he may have in his mind, but according to the law laid down in the agreement and the law laid down in the weekly meetings of the labor adjustment board. If you do not have a body of law to guide an arbitrator you cannot have law and government in industry. You have only one man's opinion, and my opinion may be all right from my point of view but it would not represent the feeling of the industry as a whole. This agreement and this labor adjustment board that makes supplementary agreements from week to week build up a body of law which guides the judge or the arbitrator, and his decisions interpreting this law and applying it to particular cases establishes a body of common law, a body of principles which the employers and the wage earners themselves may see are the principles which govern the industry, and through their knowledge of those principles they can settle their own difficulties and do not need to come constantly to a referee to decide disputes for them.

#### IMPORTANCE OF OWNERSHIP IN INDUSTRY

That is the outline of the plan in the clothing industry, and it exists in all of the larger markets. The effect of it is to develop in the wage earners a sense of ownership in the industry. Some people think that is very dangerous indeed; that it is bolshevism and syndicalism and everything else that is dangerous. However, our theory of private property is that no man will have the interest in turning out work under any other arrangement except when he has some sense of ownership in the business. When you have an establishment worth ten million dollars, how are you going to get the five-dollar-a-day workman

to feel a sense of ownership in that industry? It is only through an ownership that he feels from day to day, in deciding questions that affect his job, not an ownership of one or two shares of stock, but a real stake in the industry. The union gives him this.

This arrangement eliminates that kind of an organizer of a trade union whose capital is fighting. As long as the employers fight unions, then the union leader who survives is the man who can fight the employer, and that is the kind of a man who should survive. But the moment the employer says, "Now we want to strengthen your union so that you can assume responsibility over your workmen and meet the conditions of these obligations that you have assumed," then a new type of business agent has to develop. He has to get results for his working people through business methods and through the agreement. When he talks very loudly and very radically and does not get results, it is not very long before he is discharged and a fellow is put in that does not talk quite so much, but who knows how to negotiate with the employer and get what the employees are entitled to. Those things have actually happened under this arrangement.

Another thing that has happened is a change in the attitude of the employers. Some of them have felt that the old method of war in dealing with these questions has not paid. They won their strikes every time; that is, they whipped the union every time, but in the end the employers lost nevertheless and they found that by really taking the employees into partnership on labor matters, they have been able to maintain peace in the industry and settle all their disputes amicably.

# The Industrial Representation Plan in the Akron Factories of the Goodyear Tire and Rubber Company

By P. W. LITCHFIELD

Vice-President and Factory Manager, Goodyear Tire and Rubber Company, Akron, Ohio

**A**FTER four years of war, embracing almost the whole world, we naturally looked forward to a time of peace, but instead of that we find a condition of industrial unrest which is world wide, much worse in other countries than here but still showing a marked tendency in this country. This industrial unrest has come to be known to some extent as the labor problem. This labor problem, causing this instability or unrest, seems to arise from a disagreement between management and the laboring men of the country, especially in industry. Therefore, if there is a disagreement between two parties it is quite proper to investigate both parties to see which one is at fault, and usually when there is a disagreement of large magnitude, country wide, you can generally find something the matter with both parties.

## IS MANAGEMENT THE CAUSE OF INDUSTRIAL UNREST?

Has there been some fault on the part of management to account to some extent for this industrial unrest? If we look over the types of management in industry as they have been conducted in the recent past, we will find two forms: first, an autocratic form, where management is alone responsible to capital and says to labor, "Our terms are such and such. You can take them or leave them;" second, a form which is in vogue—more in public service corporations where the management is of the same type but is opposed by a strong labor body and thus held in restraint which results in collective

bargaining. These are substantially the only two forms in existence. They both have two fundamental weaknesses. In the first place, management in each case is responsible only to capital and not responsible in any way to labor, and in the second place, labor does not assume any responsibility except to bargain for its services, usually on the basis of time, and places itself—whether they consider it so or not—on the basis of a commodity. It has no interest in the business. It has no particular interest in the amount produced or the welfare of capital invested, but is simply selling its services as a commodity, as part of the cost of industry. We cannot have industrial stability as long as either of these conditions exist.

## WHAT MANAGEMENT SHOULD BE

Management should be a coördination between capital, labor and the public. It should not be entirely responsible to anyone but should have a certain amount of responsibility to all three. To create interest on the part of those employed there should be established a community of interest or a partnership relation, placing labor, those who furnish the labor, on the same basis as those who furnish the capital; labor should not be made a commodity in any sense of the word. The duty of management is to serve capital, to serve labor and to serve the public—to efficiently organize the activities of all for the benefit of all. It should administer management with justice to all three and should not be permitted to autocratically

serve one at the expense of the other. It is also the duty of management to organize and lead both labor and capital, and if the appointment of managers is in the hands of capital their autocratic power should in some way be limited to protect their responsibility to labor.

#### UNION AND ORGANIZATION IN INDUSTRY

##### *Capital Unions and Labor Unions*

It is generally known that more can be accomplished by organization and union than by each one going his own way, and in the past we have been familiar with two kinds of unions in industry. There is the union of labor to promote labor's ends and this has been matched by the union of capital to promote the ends of capital. These unions have both been justified by the conditions of the past. As organized they are admirable for defensive purposes, but each being organized as a union of a class they are not productive unions. Both unions are quite proper to form a means of those engaged in them to unite for purposes of defense, but they cannot produce because one of the elements necessary for production is lacking in each union. Without capital labor is useless. Without labor capital is useless. It is, therefore, necessary, in order to get a productive union, to get a union in which the interests of both capital and labor are represented. A union of capital is something like a union of all heads without any hands, and the union of labor to some extent is like a union of all hands without any heads. The result is that if they succeed in getting something for themselves it usually is at the expense of the other and not by creating an additional amount in which both can share. A union of capital and labor in the interests of the public can perform an economic service and can produce something so that both will be benefited

and the world at large will be benefited; one will not have to get something for itself at the expense of the other. Management in that sense is the same as government. In other words, it is a selected body to govern in the interests of all, keeping in mind that it should govern in the interests of the majority.

#### POLITICAL AND INDUSTRIAL GOVERNMENT

In looking over different forms of government we find cases similar to what we find in management in business. While it is very true that our form of government can learn a great deal in efficient management from the business of this country, it is equally true that the business of this country can learn a great deal on the question of human relations and principles of management or government from the government of this country.

#### REPRESENTATIVE GOVERNMENT IN MANAGEMENT

In looking over the different forms of government I think we will all agree that for large bodies of people where it is too large for a town meeting where everyone has a voice, the representative government which we have in the United States comes nearest to being the ideal of anything which we have in actual practice. Therefore, management in industry should follow the same lines. Management must get confidence, good will, interest and incentive from its workmen, and to do that they must believe not only in the efficiency of the management but they must also believe equally in the justice in which that management will function for the benefit of all.

In our American form of government the managers or governors are elected by the people, which is quite proper, inasmuch as the people are also those who furnish the capital for running the



government by submitting to taxation for this purpose. In industry those who labor with their hands are not in a position to do this—at least, at the present time—and those who furnish the capital take an undue risk on this account. For this reason they appoint and hold the managers responsible. However, in order to properly function on the basis of management being to serve and being responsible to all, there must be some responsibility of the managers chosen by those who furnish the capital to the labor employed in the plants, and it is on this basis that we have worked out, as well as we can, the industrial representation plan now in force to fit our own particular condition in Akron.

*Who Shall be Represented in Management?*

The question which now arises is who shall be represented? We have found no better way of doing this than to follow the precedent of the national government by establishing a citizenship of industry. In other words, we do not think that voting privileges for industry, for representation, should be universal to a greater extent than they are in the government of our country. In order to protect the country against radical minorities and those who are opposed to the government and its principles, certain limitations were placed upon citizenship. A man had to be twenty-one years of age. He had to be born either in this country, or had to reside in it for a certain length of time to become familiar with it before he could vote, and he had to understand the common language of the country. We believe it is equally essential that these safeguards to representation be thrown around voters in industry, and for that reason in our own particular case we restrict the voting citizenship of our industry to

employees who are eighteen years of age, who are American citizens and who have been in continuous employment, on the company's payroll for six months.

It is our problem, as we see it, to Americanize industrial management. We have all heard about Americanization, and many of us think that it applies only to the individual, but when you Americanize the individual and he makes an analysis of his form of government in industry and finds that it is not Americanized also, you are going to have more trouble than when you started, unless it is Americanized.

INDUSTRIAL REPRESENTATION PLAN IN  
THE GOODYEAR TIRE AND RUBBER  
COMPANY

To go to the plan of industrial representation: Before putting this plan into effect we formed a council, composed of some representatives appointed by the management. Some were elected by the foremen of the plant and some elected by Australian ballot from the men of the plant themselves, so that in working out the plan we tried to get something that fitted our particular industry, which would be just and fair, promote efficiency, and be satisfactory to all concerned. We unanimously arrived upon a plan which we submitted to the Board of Directors for their approval. The board received it, together with a secret ballot of the employees of the factory. It received 92 per cent of the votes in the affirmative.

The plan is substantially as follows: We adopted what you might call a shop constitution. It provides first, that the executive functions be placed entirely in the hands of the management, the same as the operation and executive departments are placed in the hands of the President and his elected representatives who run the



different branches of the government.

In order that this control should not be autocratic a legislative body was created, elected by the workmen by Australian ballot. This body has legislative powers to act as a check on unwise or unfair movements of the management. The industrials or citizens were asked to vote by Australian ballot for representatives for two houses—similar to what we have in our state and national legislatures—one being called the house of representatives and the other the senate, the senate to be composed of twenty members elected for two years, ten each year, and the house of forty members, all chosen annually. The factory is divided into districts, proportionately equal in number, and in this way we have a fixed number to our legislative bodies—trying to avoid the difficulty which our national house has gotten into of having such a large number. This makes it unwieldy in session, and most of the work has to be done by committees.

There are other restrictions upon the qualifications for senators and representatives. As was found advisable in our Federal Constitution, it was thought necessary that the qualifications of a representative should be at least one year in continuous service, instead of six months, for voting, and for senators that we would require five years of total service or two years of continuous service to qualify for the senate.

It should be kept in mind that both houses are elected by the workmen, and by the workmen I mean all in the industry. We have no classes. Every one on the payroll, if he qualifies as an industrial, has one vote. At the present time as that stands, there are about 12 per cent office workers, including clerks and others in the office, 6 per cent are foremen, and 82 per cent are factory workmen. It can

readily be seen that this body, being elected by Australian ballot, is entirely in the control of the workmen in the plant, the foreman and executives and others only casting about 10 per cent of the vote, although they vote just the same as any one else. It gives in the house and senate very closely the character of those employed in the industry. These senators and representatives can be recalled by a two-thirds vote of the electors of their district at any time, subject to the approval of the assembly itself. The approval of the assembly itself is simply put in to check a quick radical action where some little step might have disappointed a certain number of men temporarily, giving it a little more time for a hearing.

The powers of the industrial assembly are to pass upon all rules which may be put into effect by the management by procedure very similar to that in the national house. Each house votes separately, and if a bill on any subject pertaining to the relations of the management to its employees is presented to the house and passed by a majority of both houses, it is presented to the factory manager for his approval or veto. In case he vetoes it, it can be passed over his veto by two-thirds majority of both houses, and it then stands as a rule and regulation of the factory unless annulled by the Board of Directors. This board, under the laws of the state of Ohio, is fixed as the supreme governing body of a corporation and which could not be changed by any means in our power; it is quite proper that they should have that check, but it at least insures that no inspector or foreman or any sub-officer of the management can check or hold back the desires of the men, that they have a means of bringing it right in as a factory rule to the attention of the Board of Directors,

and it only comes to them when it has been passed over the veto of the manager.

We also provide for joint conferences. We have a body composed of twelve men, six appointed by the management, three by the house and three by the senate. This body meets every two weeks to discuss all problems of difference between the management and the men, usually things are thrashed out here before any action is taken by the industrial assembly, so that in all actions they take, they at least have both sides of the case presented to them so that they will not act on the evidence of but one side.

Another article in the constitution is that there shall be no discrimination against anyone for membership or non-membership in any labor organization. We realize fully that it may be decidedly in the interests of the men to join associations for defensive purposes to protect themselves against injustice, but the theory of the whole organization is that instead of organizing by classes, we join together within the institution the interests of capital with the interests of labor and thrash out all differences jointly without outside influence.

#### ADVANTAGES OF INDUSTRIAL REPRESENTATION IN MANAGEMENT

The advantages of this form of organization, as against the other two which I enumerated at the beginning of this talk, are that it insures continuous production. It is a perfectly logical method of going ahead and getting legislation and correcting

abuses, just the same as we have in our government. Everyone knows what would happen to this government if every little abuse or every little difference of opinion which came up should be magnified and magnified until the government chose sides and then all stood still while somebody thrashed it out. It will be realized that the government could not operate at all and that some other method would have to be devised. The same is equally true in industry and the plan we have put into effect is largely to overcome that difficulty. There is another matter—all grievances are brought up for attention when they are small and are not kept smoldering until they become a thing in which the whole shop is interested. Nearly all grievances are now taken up and settled in a mutually satisfactory manner right at the beginning, so that production goes on without unrest and without stopping.

The other result which it accomplishes is that it takes away the autocratic power of the foreman and the management which is used in an abusive manner, and in many instances since the plan has been adopted the foremen have seen where they have been drivers heretofore, and that they have been maintaining that position by reason of the power vested in them. They can no longer do that. They have to understand their position and they have to understand the men under them and learn to lead those men instead of driving them.

## Why Labor Should Be Represented in Industrial Management

By R. L. CORNICK

Arsenal Employees' Representative, Washington, D. C.

**T**HE reason why labor representation in industrial management has become absolutely necessary is due to growing dissatisfaction of the workers with their status in society and the employers' willingness to sacrifice the human being for the sake of greater profits.

A great many employers do not operate on the theory that the greatest ultimate good will accrue to themselves and society as a whole by the development of the individual to the highest possible point, but operate along the lines of the "mud-sill" theory as illustrated by Abraham Lincoln. This theory "assumes that labor and education are incompatible and any practical combination of them is impossible. According to that theory a blind horse upon a treadmill is a perfect illustration of what a laborer should be—all the better for being blind because he could not kick understandingly. The education of labor is not only considered useless but dangerous. In fact, it is deemed a misfortune that labor should have heads at all. Those same heads are regarded as explosive material, only to be kept in damp places, as far as possible from that peculiar fire which ignites them—education. A Yankee who could invent a strong handed man without a head would receive the everlasting blessing of this type of employer."

It seems to me that our progress in degeneracy is pretty rapid—we started out as a nation on the basis that all men were created free and equal. Now we are asked to submit to a treadmill existence, stop thinking and

believe that the people now in control of industry are the only ones capable of thought. It is not conceivable that a liberty-loving people are going to supinely submit to such a narrowing outlook upon life. What they are doing and will do more and more energetically until they regain their position in society is to demand an opportunity to come up to their potential possibilities.

Our forefathers were nearer to freedom and equality because they controlled the means of producing the necessities of life but as industry has developed and machine production increased the worker has become less and less independent, and the time is at hand because of the growing inequalities of the people of this country for labor to be put on a new basis for the very sound reason that a democracy cannot live where there are such glaring inequalities among the people.

### NECESSITY FOR DEMOCRACY IN INDUSTRIES

We are thankful that the workers are not solely automatons, but have hearts, spirits and minds and are beginning to at least realize the futility of political democracy unless extended to the industrial sphere of life. This brings us to the point where we can consider the advantages to society as a whole by having the workers participate in the management of industry in proportion to their basic interest.

The worthy objects of any industrial undertaking are:

1. Supply society with the necessities of life in its pursuits of happiness.

2. Give the workers an opportunity to earn a living and contribute to the needs of society.

3. Capital itself does not deserve any consideration as it is a dead thing—it does not think or contribute to the production of society's needs, but capitalists in their capacity as organizers make a valuable contribution and should be given due consideration.

Taking up the first justification for the existence of industry, namely, the supplying of the needs of society, the ideal way of accomplishing this is by using the maximum of brains with the minimum of energy and time, to the end that society's needs are produced most efficiently and economically.

#### PATERNALISTIC METHODS OF INTERESTING WORKERS

This can only be accomplished when the workers have a real interest in their work, and their interests are so safeguarded that they can give fully and freely of their abilities and experiences. A great many employers, with the aid of scientists of industry, have and are trying all manner of ingenious paternalistic methods of interesting the workers in their jobs, such as the manufacturers' efforts to appear interested in the well being of the worker by building sanitary dwellings, the establishment of insurance funds and a number of other agencies through which they hope to bind labor and capital together. The modern workman is apt to chafe under the feeling that his insurance funds are in the hands of his employer, and dislikes to live in houses owned by the corporation for which he works, even when such houses are well built and rent at a fair price. There is a feeling of dependence which often gives rise to serious misunderstandings. Another very common method is for the employers to afford the workers every opportunity to become stock-

holders on terms more favorable than are open to the general public; they believe that the resultant loss in money will be made up by the devotion of the men to the institution. This does not in any real sense make the worker his own employer. It gives him a fractional share in electing the people who decide how he is to be employed, a very different thing both in theory and fact and falls far short of putting the laborer in a position of independence.

Still another method is that of profit sharing. There are many notable instances of success in profit sharing but this has always happened when the responsibility for management has been decentralized and not when it was used as a method of paying wages. The worker knows that in the general case the profits of the employer are not sufficient to permit of a substantial increase in his wages at the expense of his employer, so an offer to share profits does not appeal to the worker because he can get the same results through his trade union and not be an object of charity.

The bonus is another popular method which hardly deserves comment as it is simply a system of payment and part of the wage. All of these methods can be classed under the head of paternalism and at best act only as stimulants, affording no real basis for the workers to interest themselves in industry as a whole.

Scientific management proposes to confine the brains of an industrial institution to the planning room and wants the workers to follow instructions without question, thereby transferring the responsibility for production from the ones who produce to the ones who direct production, consequently wanting only men who will blindly follow directions. Where the workers have interfered with the administration of scientific management



paternalistic schemes have been adopted by the management in an endeavor to hide their real purpose, but I have never seen an instance of this nature where the workers were not cognizant of the true motive and realized fully that they were doing as some one else directed. The workers are not laboring under the delusion that they are acting on their own initiative. They appreciate very keenly that they are being managed and quite naturally resent it.

#### NEED FOR PARTICIPATION AND REPRESENTATION OF WORKER IN INDUSTRY

The workers keenly realize that the solution depends on their opportunity for education and a chance to exercise their inherent tendencies to create, initiate action, accept responsibility and excel; in fact, do everything that brings their faculties as human beings into play.

A plan by which representation or participation is secured is of little importance in comparison to the scope of the functions which the committees are permitted to exercise.

It has been proven by the attitude of the workers in the army arsenals that if the workers' representative functions extend to such fundamental things as employment, promotion, discharge, solicitation of work, compiling of estimates and production methods, they, realizing that their job is at stake, that their estimate must be lived up to, that it is their plan which is being tested, will do everything within their power to produce opportunity for securing work and thereby stabilizing employment.

Because of the liberal attitude of the Secretary of War in affording the employees in the army arsenals this opportunity for self-expression and further development, it has been most pleasing to watch the growth of interest of the employees in their work. They

are putting forth every effort to bring their efficiency as industrial institutions up to as high a standard as possible. Whether or not this movement will be permitted to continue is problematical. As we know, an army officer's great ambition in times of peace is to prove a social success and he has no desire to burden himself with the great amount of work that would necessarily ensue if this movement were permitted to live. However, it has been practically demonstrated that the workmen, if given the necessary stimulus of being made a partner in a great industrial enterprise, will react by displaying the greatest possible interest in production both as to economy and quantity.

#### EVALUATION OF CAPITAL, LABOR AND THE PUBLIC IN INDUSTRY

In evaluating the basic interests of capital, labor and the public in industry, I think we would find that 20 per cent for capital, 30 per cent for labor and 50 per cent for the public would be as fair a figure as could be arrived at, as the consumer supports both capital and labor by his patronage.

Labor unquestionably has more at stake than capital, either on a basis of numbers or the sum total of its contribution to the objects of industry. No one would question the statement that the people depending on industry for a livelihood have a vital and dominating interest in the successful conduct of industry.

To attempt to discuss this subject in a few minutes necessitates touching it only superficially and theoretically, but if we accept the theory that free labor is more productive than slave labor we readily see the advantages to society in freeing labor from economic slavery, and as no people who are intellectually free will long submit to economic slavery, it follows that if we are



to mitigate the stress and waste of our present industrial warfare, labor must be freed.

#### LABOR'S PART IN INDUSTRY

It is not perhaps conceivable that the controlling class in the United States will become so enlightened that they will aid in "placing labor on a new basis" and in extending democracy to industry, but the best industrial thinkers of today believe if we are to have industrial peace, labor's basic interest in industry must be recognized.

The wage incentive or other stimuli, such as profit sharing, does not make the workers feel fundamentally interested in their work—such interest as was displayed during the war when the responsibility for production and to that extent the winning of the war devolved upon labor. Labor accepted this responsibility eagerly and felt it was a part of and partner in a large undertaking.

If the full productive capacity of labor, which is at this time both consciously and unconsciously withheld from society under our present system, is ever to be released, labor must participate in the conduct of industry.

Labor, in sharing the control of the means of producing the necessities of life, is in position where it can give fully and freely of its abilities and experiences, without causing unemployment; thus keeping alive the hope for recognition and appreciation which is being killed under our present organization of industry. Participation would destroy the deadening influence on the employees of present day machine production because participation permits the extension of the interest of the employees to the institution as a whole. It is this participation which will prevent the workman from being transformed into a machine and which will enable him to develop his abilities along productive lines to the highest point possible.

## Collective Bargaining Assures Stability

By JOHN M. TOBIN

General Vice-President, International Brotherhood of Blacksmiths and Helpers

**I** HAVE been in the labor movement for a number of years, not always in an official capacity, however. For thirty-two years I worked at the anvil as a blacksmith; for the past twelve years I have been a local representative, and for ten years I have been an international representative. I believe this experience should give me some conception of the attitude of the worker towards some of the plans that have been outlined in the collective bargaining movement.

### A PLAN OF COLLECTIVE BARGAINING

One of these plans is one in which there is a house of representatives, a senate, a cabinet, and a court of last resort. This plan of collective bargaining might appeal to those who have never had any experience with officials in industries in which they had to work, but to those who have had, the deception is very plain. In the first place, the house of representatives is composed of the foremen, and the assistant foremen, and if the worker has a grievance he discusses it with the member of the house of representatives, or in other words, with his foreman, or assistant foreman. I would like to ask wherein this differs from the case of the worker where there is no collective bargaining. Is it not true that where there is no collective bargaining the worker who has a complaint is supposed to discuss it with his foreman? Where the complaint is one wherein the foreman is responsible the worker would sooner endure the situation or quit his job than discuss it with the foreman.

Let us suppose it was the intention of the management to see that in all cases where the worker had grievances, these grievances were discussed and given due consideration. Who then is to consider the case after it has been referred to the member of the house of representatives? It is to be taken up with the foremen of all departments. They may have had similar cases of their own at some time or another before the house of representatives, and some consideration was shown them. They have to return the favor, and if not they do not know when there is going to be a complaint against them, for it is the experience of the worker that 99 per cent of the complaints of the worker are complaints against the foreman.

Let us grant there is no such possible condition as I have outlined, and that there is an effort on the part of the foremen or the house of representatives to consider all matters referred to them by the men under them in the order intended. The grievance is approved by them, and the grievance is on account of an order or a ruling coming from one of the superintendents. In what manner would the house of representatives present it to the senate? If it came from the cabinet and the workers took it up with the house of representatives, then in turn with the senate, would we be able to get working men to believe that either the house of representatives or the senate would give it any consideration before being advised by the cabinet? What action would they take on the matter, if any at all.

President Lincoln once said, "You

can fool all of the people some of the time, and some of the people all of the time, but you can't fool all of the people all of the time." This may be applied in the case of workers. It is my belief that in this case the only one that is being fooled is the employer. It may be that his employees are closing their eyes to the present conditions, but the day will come when they will let it be known. They are not to be fooled. Other plans of collective bargaining have been discussed in this volume—some in the shape of welfare plans. All of these are equally impracticable, in so far as assisting the worker is concerned. The worker wants to meet the employer, or the highest one in authority, face to face, and be guaranteed some measure of protection from any discrimination on account of his having complained because of any acts on the part of the foreman, or the superintendent, or the manager himself. That protection can only come from the worker's associates in the industry, when they are permitted to bargain collectively through committees elected in their own way, after they have organized, and are in some way bound to support each other against any encroachment on their rights, or any discrimination against them as long as they do the work they are being paid for and violating no just rules of the industry.

#### LABOR'S ATTITUDE TOWARD THE EMPLOYER

Labor is distrustful of the employer, and I believe that if everyone had experience as a workman in some of our great industries, labor would not be blamed. Many schemes have been introduced to get laborers to work the harder and produce more, and at the same time reduce their earnings. Employers have introduced the piece-work system, giving men certain prices for

doing certain pieces of work, and when the workman produced more than they supposed he would, then they would reduce the price. The work has been systematized; the worker has been made a one-job man instead of a mechanic. He has been robbed of his ability to earn a living as a mechanic and has been tied down to the one job. He must remain at it whether he likes it or not, for the reason that if he left the job, there was no one who wanted him, other employers having made their own mechanics in the same manner. There is no apprentice system at the present time; employers instruct foremen to put that man on that one job.

#### CAUSES FOR DECREASED PRODUCTION

The worker has been accused of not producing as much as he did before the war. I shall review briefly what led up to this accusation. In too many industries where the workers were engaged in producing material that was necessary for the maintenance and transportation of our army and navy during the war, many new and unskilled men were induced. All of these workers had to be trained, and the training that they received was of such a nature that many of them became indifferent as to the quality and quantity of the work they did. This was to some extent overlooked; first, because in some instances the employer was working on a cost-plus basis, and paid little attention to production; in other cases, the employee who had been trained in the work was taxed to more than his capacity, working in some instances seven days per week and twelve hours per day. At the time these conditions prevailed, employers were issuing statements that labor was "lying down on the job." That condition has now passed, and if there is any unit of labor that is not doing its

full share it is the fault of the employer.

The organization which I have the honor to represent, notwithstanding the fact that many blacksmiths who had worked as horseshoers and some who never worked outside of a small country blacksmith shop where they shoed horses and repaired wagons were brought into these industries where investigation has been made, has shown that the hours consumed in doing the work were less than 7 per cent, and has long since passed the point where it is back to 100 per cent of what it was before the war. This condition is true in many trades.

#### ONE SOLUTION OF INDUSTRIAL UNREST PROBLEM

The problem that confronts us is how we are going to solve the problem of

industrial unrest. I have given this matter much consideration and have discussed it with many employers. The only solution that I can suggest is a closer coöperation with the responsible organizations—the organizations that have been fighting the radical element for the past forty years—not by organizations formulated by the employer for the purpose of controlling the labor of one industry or one shop, but organizations embracing every industry organized in separate units or trades where there will be an agreement by which each will be held responsible for any violations. When violations take place, those who are responsible should be punished in the manner set forth in the agreement.



# Employee Representation as a Step Toward Industrial Democracy

By WALTER GORDON MERRITT

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**B**EFORE taking up the real subject at hand, I yield to the temptation of commenting on Dr. Cheyney's quotation<sup>1</sup> from an ancient case on industrial law in Great Britain. Declaring that England formerly suffered from class government at the top, Dr. Cheyney repeated the remarks of the judge in that case, in which labor was excoriated for daring to resist capital and for being an ingrate to the hand which fed it. Modern tendencies, he stated, show an improvement in this situation and a trend toward democracy. The extent to which this trend has gone is emphasized by a modern case in this country which goes to the opposite extreme of Dr. Cheyney's antiquated decision and which, I feel sure, will entirely demolish traditional ideas of law, lawyers and judges. This modern case related to the present problem as to whether organized labor should be exempt from the application of the anti-trust laws and whether such exemption can be effected, with due regard to constitutional provisions as to equality before the law.

Before discussing the case in question, it is well to know just what the problem is. Suppose, for instance, that the United States Steel Corporation should make a deal with the building trades unions to call strikes on all structures where materials manufactured by competitors of the corporation were being used. The United States Steel Corporation would thereby have forged a most effective instrument with which to destroy its competitors. In such a case it is rather difficult to see how

one could fairly say that the labor unions were innocent and that the corporation was guilty, when both were engaged in the same combination to accomplish the same purpose. Is it not unconstitutional, as arbitrary class legislation, to free labor from the restraints of such a law and still hold employers subject to them? Are these two interests equal before the law in such matters? Those embarrassing questions came before the Supreme Court of the state of Oklahoma a few years ago and were dealt with in an opinion which contained, among other things, the following:

Labor was made by God. Capital is made by man. Labor is not only blood and bone but it also has a mind and a soul and is animated by sympathy, hope and love. Capital is inanimate, soulless matter. Labor is the creator, Capital is the creature. Labor is always a matter of necessity, Capital is largely a matter of luxury. Labor has been dignified by the example of God. The Saviour of mankind was called "the carpenter's son." We are told in the Bible that the love of money is the root of all evil. This statement is confirmed by the entire history of the human race.

The love of money is the cause of the organization of trusts and of monopolies. With what show of reason and justice, therefore, can the advocates of monopoly be heard to say that Capital is the equal of Labor? We deny that trusts and monopolies are entitled to protection as citizens of the United States. A single drop of sweat on the brow of honest labor shines more brightly and is more precious in the eyes of God, and is of more benefit to the human race, than all the diamonds that ever sparkled in the crown of any king.

## LABOR'S PART IN INDUSTRIAL DEMOCRACY

To arrive 'successfully at a true and complete democracy, must there

<sup>1</sup> See page 1 this volume.

not be something in the nature of community of thought, community of interest and understanding; something in the nature of the same attitude and the same relation toward the same problem? Can you have true democracy in an industry where responsibility for the finances and the property rests solely with the owners or their representatives, and where the workers only look for a guaranteed wage, regardless of whether the company is successful or has gone through a disastrous year? Can you have true democracy, or that spirit of team play and coöperation which alone makes democracy possible, where the relations of two large groups are largely matters of bargaining and antagonism?

Industrial democracy built on the foundations of militant unions and employers associations of national extent, or any other form of exaggerated class alignment, is a chimera. True democracy in industry will not come until labor, acting individually and as a group, is willing to seek a financial interest in business, is willing to have part of its return depend on the success of the venture, and is willing to build up its own group of technicians for the management of business. Even such a radical thinker as Mr. Veblen, who looks forward to the time when the owners of industry will be ex-appropriated and industry will be managed by the workers, reminds them in most emphatic terms that it is impossible under present conditions to expect labor to be fit for industrial management until, by slow progress, it has developed for that responsibility. But while we must say that so far as real industrial democracy goes, it is impractical under present relationships, there are, nevertheless, certain sidelights on the trend toward such democracy which deserve searching consideration.

Who helps and who hinders progress toward industrial democracy? The ordinary type of militant unions, as well as many employers, present obstacles. Such unions are often undemocratic and deny in their own management those tools of democracy which they advocate in the political field. The leaders of the syndicalist movement in France declare that the organized labor movement is more guilty of autocracy toward the workers than is capital. But be that as it may, the organized labor movement being largely a militant movement, emphasizing primarily the question of the bargain between capital and labor, feeding the spirit of antagonism, and opposed to many things which seem to offer some promise of a trend toward industrial democracy, is not, with its present objectives and leaderships, an agency which is going to furnish the most fertile field of experimentation.

As I understand the attitude of many of the leaders of organized labor, they do not want to participate in the management, they do not want a representative on the board of directors, they oppose profit sharing, they oppose bonuses, and they oppose freely-elected, intrafactory committees with a fair degree of home rule, whereby machinery may possibly be devised for closer coöperation between small and intimate groups. They seem to have the idea of the old-time religionists, that labor must be saved, if saved at all, only in their way, which is the militant way, and they apply to the situation a discouraging amount of intolerance and bigotry. Naturally, they see in the shop committee a rival, and seeing a rival, they fear it. Naturally, and like all human institutions, they tend to make a fetish of their own organization and claim exclusive utility for it.

### THE UNION MOVEMENT

As a matter of fundamental human philosophy, it is necessary for the labor leader to keep alive in the minds of his followers an exaggerated sense of common peril, in order that men will be faithful to the union and that new men will come into it, thus swelling the ranks. We have, then, that necessary spirit of militancy and antagonism on the part of the union movement which, so far as being useful toward the present experiments in industrial democracy, is not in most cases rendering a great contribution. I state this with some qualifications, because we all know there may be some unions which are marked exceptions to that thought.

### THE EMPLOYEE REPRESENTATION PLAN IN FACTORIES

If we are looking at this trend toward industrial democracy as a peaceful evolutionary process and not as an attempt on the part of radicals to overthrow capitalism, the most fruitful and promising source for experimentation is in factories that have a definite constitutional form of employee representation, based on the square deal. This representation plan has to its commendation the great value of elasticity. It may be applied conservatively, but it travels the road of idealism and may go as far as the inclination of the employer and the capacity of the workers permit. It may be that it is the road toward the sunlight. It may be that it constitutes the half-way house toward some larger measure of industrial democracy. Let us see to what extent it is adapted to industrial ideals of immediate practicality.

Our first ideal should be common counsel and a full hearing for both sides on all matters of mutual interest. Without that the best intentions

cannot safeguard the square deal. Our next immediate ideal should be the lowest practical minimum of overhead discipline and the largest practical maximum of voluntary enthusiasm and coöperation—the lowest, practical minimum of management interference and the largest practical maximum of self-responsibility, self-development, self-initiative and self-direction. Starting with those ideals, is it not entirely clear that industrial representation may afford machinery—and in many important and successful cases has already afforded machinery—for common counsel and self-government of a very genuine and substantial sort. We know it has been feasible in some factories to turn over a large part of the discipline of employees to their peers—their fellow-employees—acting through the instrumentality of the employee representation plan. We know it has been possible, through collective bonuses distributed in an entire department according to the efficiency of that department, to turn over to employees some part of the management of that department, trusting to the collective incentive for good results. Again, we know the employer is primarily interested in the aggregate wage cost of his product and is not so directly interested in the way in which that wage is distributed among the individual employees in the individual department which is running up the aggregate wage bill. Is it not possible, therefore, through employee representation, ultimately to have the employees decide some vexed questions as to the apportionment of the aggregate wage among themselves and thereby release that issue from the challenge of the labor-capital controversy? The employees and not the employer are primarily interested in that question.

If we are looking for experiments in

industrial democracy is there not suggestiveness in the idea that, under the representation plan, we may be drifting back to something approximating the old contract system, but instead of having a third party as an independent profiteering contractor, we will treat a self-governing group of men in a single department as a contracting agency to accomplish certain results with the least possible interference on the part of the management?

It is impossible to go into definite details on a subject of this kind in a short article, but if one grasps the moral idea of encouraging and developing a measure of self-government among men in an individual department, who understand the particular craft in that department, they will find no insuperable obstacles in working out the details. Confidence, patience and tact will bring a surprising harvest if the field is well harrowed.

#### POLITICAL VS. INDUSTRIAL DEMOCRACY

Some people feel that employees are not competent to participate in any such scheme as industrial representation. Limited experience indicates that this skepticism is not sound. Other people feel it is erroneous to make a comparison between political democracy and industrial democracy, since no business could survive if it made as many blunders as political democracy. I am inclined to think that men are better qualified for the kind of industrial democracy of which I speak than they are for carrying on political democracy. Conditions are favorable for this measure of industrial democracy, if, in an individual factory you can eliminate the distrust and suspicion which poisons our industrial system. It must be that a group of one hundred men in a single department, giving their lives to a certain kind of work, understand thoroughly

the nature of that work. That knowledge of the subject-matter is one desideratum of democracy. Give those men some degree of self-government in connection with that work and a stake in the collective accomplishment, and they will soon feel the significance and responsibility of self-government. The smallness of the unit and the familiar nature of the work, which is within their observation, permit them to discern the consequences of good and bad decisions and actions. That is a second desideratum of democracy. They see just how they suffer from their blunders and benefit by their intelligence. The cause and effect is reasonably clear.

When we consider democracy may we not say, as a general proposition, that the further away the seat of government and the more remote and inappreciable are the effect of men's action at the polls, the more doubtful is the result. Herein lies the success of the town meeting. Where, as in a single factory department, you have a comparatively small group engaged in one common business which they understand, there is a better basis for self-government than in the larger political field, where the man who makes brooms helps make the laws for doctors and teachers. In fact, if the present movement for industrial democracy continues to grow as it is now growing, through the rapid installation of shop representation plans, until it now represents something like one million workers in these United States, we may reach a point where democracy in the plants, which helps a man to understand the connection between his vote and what thereafter happens, will be the real primary class for political democracy. After all, our allegiances and our sense of community responsibility are developed from our close and intimate associations rather than from our



larger groupings. Each factory is capable of becoming a real university in this and other lines of education. So it may be that if this idea of group coöperation can be worked out, we will develop a new community sense and a new sense of social responsibility among our working class.

#### NECESSITY FOR EMPLOYEES' RESPONSIBILITY

This involves no hasty leap from one social era into another, nor any violent cataclysm or taking of private property, but a gradual evolution in the direction in which many employers have already turned their faces. Who knows its possibilities? Who knows what will be its reaction upon the moral character and responsibility of employees who for the first time are given such an opportunity to develop? Some employers blame the employees for a lack of responsibility, but after all, if we are just, we must remember that it may be lack of opportunity in the past which, to a large extent, accounts for lack of developed responsibility. How quickly that sense of responsibility will develop under the gradual growth of plans of this kind no man can say, but I certainly am sanguine that it spells progress.

After all, when I come into contact with employers concerning this question, I find that our fundamental difference, or agreement, as the case may be, arises from our fundamental conceptions of existing conditions. For those who feel that this present era of unrest is like other eras which have come and gone, leaving the fundamental nature of our institutions unchanged, there can be little incentive to experiment and grope, as I suggest. But for those who believe that a real change will follow and that we of today live fifty years of experience in five years of time, there is a real need for fresh

departures. Employers of the latter class look upon this problem not simply as the question of the dollars they earn this month or this year, but as the great problem of broad, social reconstruction upon which the very stability of the republic must depend. I share their belief that existing industrial conditions are incompatible with human happiness and human satisfaction and must be changed if we are to secure that degree of coöperation without which any nation must perish.

While the factory as an institution has been of such great benefit to society as a whole, because of its efficient and quantitative production, we must nevertheless recognize that it also has its social menace. Its worst menace lies in the monotonous, repetitive labor to which so many employees are sentenced to spend so large a portion of their time. To mitigate that, which is an unavoidable evil, is it not desirable that employees should have an opportunity for group expression and some degree of self-government, so that they can see the relation between the detailed effort which they are carrying out and the social fabric as a whole? The opposition of some employers and unions to progressive steps in this direction is unfortunate indeed. Public opinion must overcome that opposition and encourage and support the various experiments now going on in the individual factories, with a view to working out the best plan for a greater degree of self-government. Experience alone will demonstrate how far it is practicable to go in giving the workers a voice in the management so far as it relates to their own peculiar conditions of employment. If Mr. Employer has the democratic faith, which is faith in his fellow man, he will succeed in working it out. If he lacks that faith and believes that the

workers cannot rise above the position which they have occupied in the past, it will be a difficult task.

On the whole, my judgment is that industrial representation, manifesting itself in many ways and endorsed by the President's second industrial conference, is the most interesting line of study and promise on the trend of

industrial democracy, and that intolerance toward this development, whether it comes from the employer, who fears it means stronger unions, or organized labor, which fears it means weaker unions, should be publicly discountenanced. If we cannot look in this direction for improvement, we know not where to pin our hopes.

## Discussion

By MEYER BLOOMFIELD

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I HAVE recently been through a series of sessions with foremen in a number of eastern factories, and the one question that I was interested in getting their answer to was this: "Just what is the situation with regard to production in your own department, in your own factory; the present situation as compared with that of six months ago, or a year or two ago?" I was trying to get some definite information as to just what the production situation is and what the reasons were for a condition that must give and does give everybody real concern.

Surely in a situation so grave as we believe the present to be, the least that the average citizen has the right to expect is a clear statement of what is happening to that output of goods and services on which not only industrial peace but our very existence also depends. Not only suffering Europe, but our own land as well must look to sufficient production for salvation.

After hearing a good deal of testimony that was honest and intelligent, there seemed to be three distinct divisions that one could make of the information given. One group seemed to be generalizing without any basis of knowledge. Perhaps production was not below par, considering conditions; at any rate the men seemed to be unwilling to exert themselves. This was one class of testimony. Another group seemed to be unconsciously betraying a condition for which executive indolence or incapacity could be the only explanation. The third group confessed that a situation existed that called for some real heart-searching on the part of management. This candor

promises most by way of meeting the problem as it should be met.

Obviously we cannot go far with generalizations as to the production situation and we only confuse the issue and make a solution well nigh impossible if we content ourselves with vague assumptions of industrial slacking as the basic evil. That there is slacking no one disputes. Men who take money for the least possible return are a social menace. They are millstones around the necks of their fellows. In normal times such men are unemployed or unemployable. But any study of such facts as may be had would show that laying the blame on one party alone does not tell the whole story or help us to see the way out. Only in seeing that the right amount of production is as much a problem of management as it is of labor can we hope to think straight on this question.

Almost the unanimous response from all the foremen to the question, "Do the old workmen produce as much as they have in the past?" was, "Why, of course, there's no trouble with the older men, with those who have been here three, four and five years. In fact, some of them produce more than they ever did before."

"Well, is it the trouble with the new men, with the more recent comers?"

"Yes, it is."

That brings up a problem of training, of initiation into the job, of relationship, of patience, of contacts, of policies. I hope that when we talk about the need for more production we will not view it entirely as a one-sided matter, namely, the slacking of labor. I hope that we may see it too in terms

of the necessity perhaps, for better head work, on the part of management than hitherto; the sort of brain work that we do find in the best managed organizations, where we do not hear so much fault-finding.

May I say that when we hear plans described such as those above, we are impressed with one very interesting point about them. These are activities that have grown up from within. They are natural to the soil out of

which they grow. They are not patented importations. The lazy employer who expects his labor problems to be solved for him by wireless is riding for a fall. A good way to solve one's own labor situation is to trust the people one is with day after day. I believe that there is enough wisdom, if we pay the price in thought, in effort and time, to work out each his best solution from within.



# Collective Bargaining and the Law as a Basis for Industrial Reorganization

By JULIUS HENRY COHEN

Cohen, Gutman and Richter, New York City

THE title "collective bargaining" is given to many things of essentially different character. As a term it is apt to be misleading. Primarily, it is the dealing between an organized group of employees and one or more employers, and refers to the process of bargaining on the part of groups of employees, as distinguished from the process of individual contracting. The term, however, has come to include the making of industrial agreements between large groups of employers, large groups of employees and representatives of the public. Such industrial agreements during the war became quite common through the efforts of the War Labor Board and the labor departments of various branches of the government.

## COLLECTIVE BARGAINING IN GARMENT INDUSTRIES

The protocols or agreements in the garment industries, extending over wide areas and embracing many thousands of people, are examples of collective bargaining of a new type. They determine the standards of wages, hours and other working conditions, as the old collective bargains did, but they do more. They establish agencies like the Joint Board of Sanitary Control in New York, a permanent board of arbitration, a permanent conference board, and administrative agencies for the redress of grievances and the adjustment of disputes before they ripen into conflict. Such agreements as these are, in reality, new phases of industrial

organization. In fact they mean the government of industry by those supplying the capital and those supplying the labor, through organization on both sides continuously functioning through agencies of their own selection.

## SELF-GOVERNMENT IN INDUSTRY

This kind of government is a new kind of government. It is the effort of democracy to assert its power of self-government in industry. This philosophy is developed in an article in the *Columbia Law Review* for April, 1920, by Robert L. Hale, entitled "Law-making by Unofficial Minorities." The war has brought us to the realization that the productivity of a people depends upon the interest of the workers in their work. During the war we appealed to them on patriotic grounds and the response indicated that the incentive to effort is not to be found in the old "pleasure and pain" economic philosophy. But along with the incentive to production is the necessity for systematic organization and orderly administration in industry. Even if every living person producing commodities were moved to his greatest exertion by interest and ambition, there would still remain the problem of leadership and organization. Enthusiasm alone will not run industry. No matter, then, how much we increase the *morale* of production by appealing to the worker's interest in his work, we must face the problem still with us, and likely to be with us for some time to come, of how to maintain discipline in industry. If

the old individual relationship between employer and employee is no longer possible and "command" and "obey" are no longer in the vocabulary of factory management, how are we to secure the essential discipline necessary to run industry? The power to discharge is no power at all to maintain discipline if there is a shortage of labor supply. It is a blank cartridge.

#### POLITICAL GOVERNMENT AND INDUSTRY

If we turn to the lessons of political government, we learn that there is a very marked limitation upon the effectiveness of government through the use of force. The small minority that constitutes the ruling administrators cannot forever compel obedience to its will. Inevitably the result is revolution. We have succeeded in political democracy by recognizing the principle of self-government, by winning through the participation in the process of its making, acquiescence in the law by those who helped to make it. If it were not that the people themselves know that they can make or unmake the law, political democracy would fail. This factor of human independence, asserting itself with the French Revolution, is now more formidable than ever before in the history of the world. Great masses of men have been educated to a realization that industry depends for its continuance upon the united exertion of millions of people, each of whom is vitally important in his own place. The time has passed when great masses of men can be brought to obey law simply because it is law.

#### SELF-GOVERNMENT IN INDUSTRY

Applying these lessons of political experience to industry, we find government in industry as indispensable as

municipal government. Peace, orderliness, organization, willingness to postpone differences in order that the machinery may go on—all these are present. In addition, there is the vital fact that industry cannot go on without the active coöperation of the worker. It is possible in government to run the government in spite of the indifference of the citizen. But we cannot run industry with indifferent workmen. We must search, then, for a method in industry which will provide for self-government and we must make this self-government effective. My experience and my study lead me to the conclusion that "constitutional government in industry can best be brought about" through agreements between organized employers and organized employees, freely arrived at through representatives of their own choosing, but when arrived at, supported by the law of the land. In brief, just as commerce has been built up upon the legality of individual contract, I think industry is likely to be built up upon the basis of the legality of collective agreements. I would give to collective agreements the same enforceability that is given to individual agreements. I would make the parties to their making responsible for any breaches. By putting collective agreements on such a plane of legality, the faithfulness of the parties to such agreements would be put to the test, and, as in the mercantile world, a *credit responsibility* would be established. The employers' association or the labor union that observed its contracts would thereby secure a credit reputation, extending its field for doing further business. I am convinced that if such a method of legalizing collective bargaining were adopted, we should rapidly do away with "outlaw" and insurgent unions. Just as in the recent railroad strike, the labor organization desiring to pre-

serve its credit as a contract observing body would join hands with the employers in repressing those who would break their contracts or who would stop the wheels of industry in order to secure the accomplishment of their will. In the printers' strike of 1919, in the longshoremen's strike at New York of the same year, we saw the same manifestation of a new kind of "law and order"—the effort of the legitimate organization of labor, in coöperation with employers, to keep in discipline a recalcitrant and anarchic minority. I regard these manifestations as the first indication of a new kind of democratic government, of a new kind of self-government in industry. I believe that such movements should be analyzed and considered, and if upon analysis they are found to be sound, they should be encouraged. If, through the organization of the workers themselves and through their own leadership, by the process of contract making with employers, there can be established rules and regulations for the government of industry, we shall find the way to the discipline essential to the carrying on of industry.

#### INDUSTRIAL LEGISLATION AND INDUSTRIAL GOVERNMENT

I do not believe that the way out is to be found in industrial courts created by the state or the nation. I do not believe that such courts will win the confidence of the workers. I believe that it is possible to win their confidence and their support for tribunals which they help to create, and upon which they have representation. These tribunals, when created, should have the power granted to them by the workers and the employers alike to make effective the regulations they establish. This is the history of the Joint Board of Sanitary Control, which is about to celebrate its tenth anniversary. By precisely this process of self-imposed industrial legislation, it has completely revolutionized the physical habits in factory life in what was known as one of the "sweated" industries. It is because of this epoch-making experience that I believe collective bargaining should be recognized legally, and as a matter of public policy encouraged as a process of industrial legislation and government in industry. I believe in that kind of *collective bargaining*.

## Collective Bargaining in the Glass Bottle Industry

By JOHN A. VOLL

President, Glass Bottle Blowers' Association

**T**HE subject of collective bargaining is a fundamental one and upon the disposition that is finally made of it will depend the peace and tranquility of government.

At the first industrial conference called by the President, which was composed of three groups representing employers, employees and the public, the public group presented the following resolution which was accepted by labor:

The right of wage earners to organize in trade and labor unions, to bargain collectively, to be represented by representatives of their own choosing in negotiations and adjustments with employers in respect to wages, hours of labor and relations and conditions of employment is recognized.

This must not be understood as limiting the right of any wage earner to refrain from joining any organization or to deal directly with his employer if he so chooses.

The employers group rejected this resolution and the conference dissolved.

At the second conference called by the President which was made up entirely of representatives of the public, the conference expressed itself in agreement with collective bargaining as follows:

The conference is in favor of the policy of collective bargaining. It sees in a frank acceptance of this principle the most helpful approach to industrial peace. It believes that the great body of the employers of the country accept this principle. The difference of opinion appears in regard to the method of representation. In the plan proposed by the conference for the adjustment of disputes, provision is made for the unrestricted selection of representatives by employees, and at the same time provision is also made to insure that the representatives of employees in fact represent the majority of the employees, in order that they may be able to bind

them in good faith. The conference believes that the difficulties can be overcome and the advantages of collective bargaining secured if employers and employees will honestly attempt to substitute for an unyielding, contentious attitude, a spirit of cooperation with reference to those aspects of the employment relation where their interests are not really opposed but mutual.

Now, the question naturally arises: Is the practice of collective bargaining in industry fair, equitable and just to the employer, the employee and the public? If it is not, then the group representing the employers of the country in the industrial conference were justified in their rejection of the resolution offered by the public group. If it is, then that group committed a great wrong as agreement by the conference would have made for the stabilizing of industry and a better understanding between capital and labor, the influence of which would have contributed toward allaying unrest in industry now and in the future.

Realizing that there are many people honestly in doubt as to the merits or demerits of collective bargaining in industry, it will be my purpose to attempt to contribute something that may be helpful in clarifying the subject, by giving some of the results of sixteen years of practical experience in meeting employers in wage conferences and by recalling some of the observations made during thirty-one years of membership in the Glass Bottle Blowers' Association, an organization that has been practicing collective bargaining for more than thirty-five years.



#### BEGINNING OF COLLECTIVE BARGAINING IN GLASS BOTTLE INDUSTRY

Collective bargaining in the glass bottle industry began in a local way in the early seventies, and in the early eighties developed into a regional or district system. About 1885 a national system was evolved. Later on Canada was admitted, both manufacturers and workmen, which made the system international. Collective bargaining has worked out so well in the glass bottle industry that not since 1884 has there been a general strike in the trade, and the local disagreements and troubles have been minimized to the extent that they may be termed insignificant.

For the first fifteen years after collective bargaining was established in the industry there was but one conference held each year, at which the wage scale was settled and an agreement reached as to the hours of labor and the conditions of work. It was then agreed that two conferences should be held each year; one in May and one in August. The May conference is known as the preliminary conference which takes up any and all disputes that may have arisen in the different manufacturing plants throughout our country and Canada, upon which the employers and local committees could not reach an agreement. These are adjusted at this conference and all new bottles and bottles which are in dispute are classified. If it is not possible at the May or preliminary conference to reach an agreement on all these matters, they are referred to the final conference and in the interim conventions are held by the employers and by the workmen, thus giving opportunity for all connected with the industry to keep in close touch with the proceedings and condition of affairs. Then at the final conference all matters such as wages, hours of labor, con-

ditions of work, and the classification of wares are finally agreed upon, after which it becomes binding on both employer and employee. I may add that in all the years of collective bargaining between the Glass Bottle Manufacturers' Association and the Glass Bottle Blowers' Organization the contract has never been violated by either association; never has an arbitrator, mediator or conciliator been called upon to settle any of the differences that have arisen from time to time, some of which were very serious.

#### WHAT COLLECTIVE BARGAINING HAS ACCOMPLISHED

Before the workmen in the glass bottle industry were organized there was no regularity of employment and no stability in the industry. Employment was seasonal. Workmen were idle in the winter and employed in the hot summer months when their production was below normal on account of the extraordinary heat that the furnaces gave out. This condition prevailed because buyers of ware insisted on obtaining their goods at the particular time there was demand for it. Workmen and manufacturers in agreement, however, changed this by educating the buyer to anticipate his needs and the plants were then closed in the hot summer months of July and August and operated during the rest of the season—the time most advantageous for production. Instead of bottle manufacturing being continued as a seasonal trade, it soon was turned into a permanent, dependable trade to the benefit of the employer, the employee and the public.

As the years went on and the industry developed, many changes took place in the making of glass and the working methods that turned the molten metal into bottles. The continuous tank furnace came into the

industry in the early nineties and practically revolutionized it. Prior to that time, eight and nine hours out of the twenty-four was the maximum production period, but the tank furnace made it possible to operate continuously. However, this was not known at that particular time and only two shifts were operated, the day and the night shift of nine hours each. The night shift at first worked until twelve o'clock on Saturday nights. This was later done away with through conference agreement, and four o'clock on Saturday was substituted.

At the time of the introduction of the tank the workmen were naturally fearful that they would be employed only five or six months during the year on account of the extraordinary increase in production. However, the results proved the opposite. While the workmen were able to make a greater wage than they had previously made at the same price per gross, owing to better working facilities, the cheapening in the cost of production brought a demand for the ware that absorbed the increase which the introduction of the tank furnace made possible.

#### LABOR'S COMPETITION WITH NEW MACHINERY

In the late nineties came the semi-automatic machine for making bottles. This machine displaced the blower. It was in no way combated, retarded or restricted by the organization; in fact, the organization coöperated with the employers to make it a success as it has done with all machinery that has been introduced into the industry, realizing that in time it would prove helpful and greatly beneficial to the workmen themselves. Later on came the Owens Automatic Machine which required only semi-skilled labor—one man to operate a machine, known as the six-arm machine,

each of which at that time displaced eighteen skilled workmen. Later the number of arms on this machine increased to ten and then to fifteen. Hardly in the history of industry has such a revolutionary method of production been introduced on so short a notice with so much success. For a time it appeared to a great majority of the workmen in the trade and to most of the employers that about the only thing left for the hand process of manufacture was to do the best possible until such time as they were forced out of business entirely. However, the officers of the association, along with the conference committee on the manufacturers' side took a different view of the situation. Employers immediately demanded large reductions in wages which the workmen refused to concede, saying other means and methods should first be put into practical operation, and the enlarging of furnaces so that three shifts could be operated, giving continuous production for twenty-four hours, was advocated by the workmen. Employers at the time stated that this was impossible but later on found it to be practical and highly successful.

To have reduced wages immediately would have demoralized the industry and left it an easy victim to the revolutionary process of manufacturing which had been introduced. However, in 1909 the workmen took a twenty per cent reduction in wages and in 1912 another twenty per cent, making the reduction from the list price about thirty-six per cent. This gave opportunity to the employers who were unable to secure the Owens Automatic Machine as licensees to develop machinery of their own or purchase such machinery as other inventors had placed upon the market. This coöperation on the part of the workmen with the employers resulted in stabilizing the industry and al-

lowing those manufacturers who would have been forced out of business at great loss to continue and make some profit. I may add, with the exception of that class of ware which has been absorbed almost entirely by automatic and semi-automatic machinery, that our list price has not only been restored, but is higher now than ever in its history although the product is cheaper.

#### *Stabilization of the Glass Bottle Industry*

Members of the Glass Bottle Blowers' Association who now work on the semi-automatic machines and make bottles for thirty-six cents a gross which formerly paid the blower one dollar and thirty-two cents a gross, make wages in excess of what the hand blower ever made. I regret exceedingly, however, that, with the exception of the American Bottle Company known as a subsidiary of the Owens Bottle Company, a fifty million dollar corporation, no automatic machine plants are in agreement with the Glass Bottle Blowers' Association; although we had the explicit promise of some that if the association would allow development through the experimental stage without insisting upon joint collective bargaining that as soon as quality and quantity in production could be obtained from the machine, negotiations would be made. This promise, however, has been broken. The American Bottle Company, a company which did keep its promise and with whom we are in agreement placed first Poles, Hungarians, Italians and Slavs to operate the automatic machine. The wages paid were \$2.17 per day for a day of twelve hours. When negotiations were opened with the Glass Bottle Blowers' Association the twelve-hour day was reduced to eight, the same wage remaining as for the twelve-hour day. Finally, an agreement was entered into for two years during which

time these hours and wage rate prevailed. At the end of two years another agreement was entered into when our members received a substantial increase in wages. I may add that most of the foreigners had been displaced by the practical American workmen, members of the association. After the second agreement was entered into the war broke out and previous to its expiration common labor everywhere, and even in and around The American Bottle Company's plants at Streator, Illinois and Newark, Ohio, was receiving higher wages than our semi-skilled machine operators and semi-skilled sorters. Regardless of that fact, however, the contract was kept inviolate by the association.

Last September the association negotiated a new agreement with The American Bottle Company and I am sure on account of the stability and reliability of the association a greater increase in wages was received than would otherwise have been agreed upon, so that today the minimum wage on all Owens automatic machines operated by the American Bottle Company is \$4.48 for a day of eight hours. Not only is this company in agreement with the association for their semi-skilled workmen but at the last conference in September they also requested that we bring all of their workmen under the jurisdiction of the association, which was done and a wage agreed upon and the eight-hour day established for all.

This stabilizing of the industry and meeting invention as it came has resulted in great good to all who are in any way interested in the industry, and while the workmen have suffered considerably by being displaced, the association is now on the up-grade and the time is not far distant when a decent living wage will be made in all employment in and around glass bottle plants. In connection with this I may

say that inventions and evolutionary processes have so cheapened the cost of production that there is a market for the glass bottle product today which keeps the factories almost in continuous operation throughout the year and also gives opportunity to the consuming public to purchase and use receptacles that are sanitary and make for the preservation of life and health. These are but a few of the things which have been accomplished through collective bargaining.

#### IS COLLECTIVE BARGAINING IN INDUSTRY NECESSARY?

Now, we come to the next question: Is collective bargaining in industry necessary? As a partial answer I refer all who may be in doubt as to the necessity, to the encyclical of Pope Leo the XIII, issued in 1891 on the conditions of the working classes, and the report of the committee representing the federal council of the Churches of Christ on the strike at Bethlehem, Pennsylvania, in 1910 and in further answer to two or three illustrations of the difference between the practices of autocracy and democracy in industry.

Let us call to mind a morning in January, 1916, when the press all over the country carried in large headlines the story of a strike and riot at a steel mill in an Ohio town, stating also that the torch had been applied causing hundreds of thousands of dollars worth of damage to property. In company with the state mediator and a representative of the attorney-general's office of the state, I was privileged to make investigation into what caused the outbreak. It was found that the strikers were composed mostly of foreigners of several different nationalities which for years had been exploited inside and outside of the mill; that there was no organization among them; that they were compelled to work

twelve hours a day, seven days a week. In several instances, as high as four beds were found in one room occupied by two sets of men, the day and night shifts. Out of a population of ten thousand, there were 451 voters and 1,100 children in the schools, nine of which were in the High School; twenty in the eighth grade; ten in the seventh; thirty in the sixth; fifty-three in the fifth; 152 in the fourth; and 826 in the first, second and third grades. It was also found that the company had objected to night school for the adults. This tells the story of what caused the rioting when the men struck: it was because of no liberty of expression and action relative to the inhuman conditions imposed upon them.

Another striking example of the same sort of failure occurred with the attempt by the French under DeLesseps to build a canal across the Isthmus of Panama. It failed because the human element was not sufficiently considered in the planning of the project.

Later, our own country took up this gigantic problem of engineering and brought it to successful completion by a combination of civil and human engineering.

Colonel Gorgas, probably the greatest living expert on sanitation in the world today, immediately set to work to make the canal zone habitable for human beings without undue risk of life or health and in this he was eminently successful. Instead of men dying by the thousands, there was instead a healthy lot of well paid, contented men on the completion of this project. However, all did not go smoothly from the beginning, owing to the absence of democracy as between the engineer and the wage earners, which to an extent nullified the great work of Colonel Gorgas in that the best results could not be obtained even though health conditions were good. After the



resignation of Mr. Theodore Shonts and the appointment of Colonel Goethals as chief engineer, matters in the canal zone assumed a different aspect. New life was injected, bickerings, dissatisfaction and dissension were immediately reduced to a minimum, with the result that the dirt began to fly and the work performed was the wonder of the world, and why? Colonel Goethals introduced democracy into the project. I am told by men who worked on the canal that every Sunday morning at ten o'clock those who had any grievance could place it before Colonel Goethals, whether committees of the highest skilled wage earners, or the humblest laborer on the work, white or black, all were assured justice would be accorded them. The effect of such a program was marvelous. No under-engineer or foreman of any description could in any manner impose upon the men unjustly, without its coming to the knowledge of the chief-engineer who combined human engineering with his work. The result was the successful completion of one of the greatest engineering feats in the world's history, in less time than had been calculated and with satisfaction to the country and to all who had a part in doing it.

#### REASONS FOR ADOPTING COLLECTIVE BARGAINING

Some reasons why collective bargaining should be put into practice are that no man has a right to give his consent to work twelve hours a day, seven days a week unless for the purpose of saving life and property. To do otherwise is to violate the divine law which no worker has a right to consent to violate. In working this way the wage earner is deprived not only of looking after his spiritual welfare but also by working under such conditions he is wasting his body and thus shortening his life, for which he will be held

responsible. However, if forced to give his consent in order to keep body and soul together, or the bodies and souls of those who are dependent upon him, it must naturally follow that those who are responsible for forcing him into this condition must answer for it under the divine law.

There is, of course, common interest between capital and labor in the production of an article or commodity, but there is very little mutuality in the distribution of the wealth which it brings. This results in a difference, causing a conflict of opinion and when men honestly differ in opinion, if they will but get together and talk over their differences above board, they are certain to arrive at a basis for agreement; otherwise, there is misunderstanding, friction and resentment.

For further illustration, take the man who has planned an evening with his family, the man who has planned some social recreation, or who has made arrangements to look after some little business affair, or who is worried because of sickness in his family, who is told a few minutes before quitting time that he will be required to continue his labor for two or three hours longer or the man who has planned a day's outing with his family and who has given plenty of notice of his intentions, whose hopes are high, whose anticipations for the time rejuvenate a spirit of life that has been lying dormant, who is told on the last day or hour that he cannot get time off. His hopes, his anticipations are shattered and the outing a failure, all because some underforeman has exercised his petty power and authority for the purpose of being kowtowed to, or on account of the fear from higher up that profits might be disturbed by a hair's breadth. For such reasons as these the man is subjected to conditions which he must accept in silence and without protest,



thus placing him in a position not unlike the ox in that he must be driven to give service.

If more thought and study were given to the psychology of the human effort in industry, the gulf that now separates capital and labor would not be nearly so wide as it is. Workmen can be led and they can be driven but those who are led will produce much more than those who are driven. Among those who are led there is much contentment in the performance of their labor; among those who are driven, having no voice regarding their wages, hours and working conditions, there is much discontent. Although it may not appear on the surface, those workmen are resolving in their own minds, as did Abraham Lincoln when at New Orleans he saw human beings auctioned off from the block to the highest bidder, that if ever the opportunity offered he would hit that system and hit it hard.

In connection with this we may as well look at the facts as they stare us in the face. The wage earner of today and of the future will accept nothing less than democracy in industry. We might make palaces out of the work shops, the mills and the mines and, in addition, promulgate and install systems of charity, welfare work and coöperation on a dividend sharing basis, yet it would not satisfy, because the human family in working out its own salvation, its own destiny, will neither submit to dictation nor be placed in a position of some form of dependency, prescribed and administered, without having full and free expression on the propositions submitted or advanced, with the right to accept or reject, backed with as much power through organization as is represented by wealth and great strength

of bought intellect on the other side.

Humanity cannot and must not be measured from the standpoint of profit. It must be measured by the soul and the God-given rights to protect and save that soul and whoever interferes with this measurement, through the making of profits or unchecked competition, not only deprives man of his natural rights but is also sowing the seed of state dissolution in that such unjust, unrighteous exercise of sharp manipulation, power and authority destroys patriotism and love of country. Herein lies the danger to private property and our present form of government. I fear no revolution by violence for the overturning of our government and the socialization of the methods of production and distribution. But with the awakening of the wage earner through education, which is rapidly developing, there is great danger of his using the ballot to change our present social order. Unless industrial democracy is conceded to the wage earners by capital there is not a question of a doubt but that the people will change their form of government so as to include both political and industrial democracy. This means a form of state slavery to all which is to be deplored. However, the ones who will suffer most from this change will be those who stood firm and refused to make concessions.

In summing up, it is evident that collective bargaining is not only necessary but that it is also inevitable and that it is the duty of all forward-looking citizens of this country to work for the establishment of those things under our political government and industrial life which have been proven sound and practical so that our government in its present form may be maintained and perpetuated.

# Results of Collective Bargaining in the Street Railway Industry of Philadelphia

By A. A. MITTEN

Philadelphia Rapid Transit Company

**D**EFINING collective bargaining as the procedure by which management and men sit down together and frankly discuss across the table problems that are involved in the operation of industry, let me cite here the concrete results that the Stotesbury-Mitten Management has attained in less than a decade in this city.

## COLLECTIVE BARGAINING UNDER STOTESBURY-MITTEN MANAGEMENT

### *Conditions Prior to Inception of this Management*

Prior to the inception of the present management of the Philadelphia Rapid Transit Company, Philadelphia faced a situation that seriously interfered with the operation of its street railway system. The strikes of the previous year, accompanied by riot and bloodshed, had cost the city and the company millions of dollars, both in direct losses and in wages to the men. The employees, divided into factions, were demoralized; morale was at zero. In fact, conditions could hardly be worse than they were in Philadelphia at that time.

### *Plan of Stotesbury-Mitten Management*

Responding to an urgent request of the citizens of Philadelphia, Mr. E. T. Stotesbury undertook the financial rehabilitation of the company. He obtained the services of Mr. T. E. Mitten, as the operating manager. At that time the Stotesbury-Mitten Management promised the people of

Philadelphia and the employees of the company to accomplish in five years from 1911, first, an adequate system of transportation for the public; second, such increased wages and favorable working conditions for the employees as could be brought about by coöperative effort, and last, stockholders were promised nothing at that time, indeed they were frankly told that they could not expect any return on their capital until improved service for the public was provided and the problems of the employees were solved. The magnitude of the problem involved was staggering, but the management, with a firm resolve to improve conditions, sought an equitable solution. Basing its campaign on a policy of frank statement and fair dealing, the management proceeded to disarm the unjustified hostility of some of the employees and soon won their hearty support of the coöperative plan. It is worthy of note that the coöperative plan specifically states that employees are at liberty to join any union or other organization without "let or hindrance." This sound policy is the unassailable rock of its dependence; it has been invaluable, and has successfully disarmed its isolated, short-sighted opponents. Today its success is best indicated by the fact that 99.55 of all eligible employees are members of the coöperative welfare association of the Philadelphia Rapid Transit Company.

The War Labor Board endorsed the coöperative plan as amended in 1918 as being entirely in accord with its

own principles as outlined in the proclamation of the President of the United States.

*Wage Increases.* The trainmen were receiving in 1910 a maximum rate of 23 cents per hour; successively the rate was increased until it reached 32 cents in September, 1916; 43 cents in July, 1918; 48 cents in August, 1918, and other increases as the cost of living advanced, until today the rate is 61 cents. These voluntary increases in the wages of employees have been accompanied by a remarkable change in that intangible and invaluable asset to employer and employee alike—improved morale in the organization.

*Improved Morale.* One of the most remarkable evidences of the spirit of genuine good will existing between the company and its employees is our record of uninterrupted operation during the period of the war. During that great crisis our men loyally served the car-riding public and turned aside from the blandishments of those who would take unjust advantage of the acute shortage of labor during that period.

The Honorable Charles E. Elmquist, chairman of the Federal Electric Railways Commission, in his speech at a two-day picnic of the employees held last summer said, "It seems to me that if the work in Philadelphia that you are doing—you employers and you employees, who send the message of hope and cheer throughout the width, length and breadth of this land—will influence other industries to adopt the same plan that you have here, you will solve, to a very great extent, the most acute economic danger that we have ever had."

Collective bargaining, as here defined, differs widely from the definition that some men have in mind as they glibly prate of industrial democracy. It must be regretfully emphasized that the phrase "collective bargaining"

is often used to conceal a policy of collective dictatorship by those who aspire to unfair gains. The term collective bargaining can be honestly used only to designate negotiations between management and men when both meet face to face and negotiate with open minds, basing their transactions on frank statement and fair dealing.

#### BENEFITS OF COLLECTIVE BARGAINING TO PHILADELPHIA RAPID TRANSIT COMPANY EMPLOYEES

*Higher Wages.* Collective bargaining negotiated through our coöperative plan has brought to our employees more than a living wage. There are disciples of a cynical school of thought who deny that the wage earner can ever obtain more than a living wage. Here we have a graphic illustration of the shallowness of such philosophy. Our men have progressively been given voluntary increases in their wages and they have given loyal super-service in return.

*Increased Savings.* Less than a year ago the coöperative welfare association started a savings fund, paying interest at the rate of 5 per cent annually. This fund is managed entirely by the men, who invest the money in such securities as yield a return on the investment commensurate with safety. The savings today are being made at an aggregate rate of over \$800,000 annually, and indications are that the million mark will soon be reached.

This demonstrates conclusively that so far as the management of the Philadelphia Rapid Transit Company is concerned, its army of about 10,000 employees are receiving something more than a living wage.

Another feature of advantage of collective bargaining as here practiced is the opportunity that is constantly

present for the ambitious man who is desirous of improving his economic status. Those who fit themselves for the positions ahead of them deserve promotion. This advantage is not present when the closed shop policy prevails, for the closed shop means closed opportunity to both men and management. The open shop emphasizes the fact that there is no waning of the irresistible appeal of payday, which becomes increasingly greater to the ambitious workman who, by this plan, is encouraged to give an increasingly greater measure of service.

#### BENEFITS OF COLLECTIVE BARGAINING TO PHILADELPHIA RAPID TRANSIT COMPANY

*Increased Production.* The committeemen, by personal participation in committee work, broaden their scope, make themselves bigger men and become more fit to fill the positions of high responsibility entrusted to them by their fellow-workmen. Increased production to meet the higher wage cost is being accomplished here in a remarkable way. Production has increased 120 per cent as compared with the increase of 151 per cent in the wage rate. This is the truly wonderful objective that has been reached which cannot be matched by accomplishment elsewhere.

We submit that the high cost of living would be robbed of most of its terrors if all over this broad land all others had, through coöperative effort, increased production proportionately with increased wage as is secured under the workings of the Philadelphia plan.

The coöperative plan has proved its soundness. It provides an uncontrolled election of representatives of wage earners for discussion and determination with direct representatives of the employer on every matter of

interest to wage earners in their relation to the employer.

#### COÖPERATIVE PLAN OF PHILADELPHIA RAPID TRANSIT COMPANY

The coöperative plan of 1920 when produced will represent the thoughts and experiences of our 10,000 wage earners, who from nearly nine years' experience in this form of coöperation, have gained courage and confidence in themselves and in the fair intentions of the management. The controlling thought of this management throughout has been that with and through the men themselves their condition of employment and well being should be improved.

The degree of participation in management to which the men, as a whole, may aspire is as yet unknown, and must necessarily depend upon the success which follows the more intelligent handling of their present duties and the efficient handling of their domestic affairs on a business basis. The company's employees contribute \$1 monthly to the coöperative Welfare Association. This sum the company matches with a double amount, namely, \$20,000 monthly in lieu of all other payments. During the sixteen months ended December 31, 1919, the association paid \$184,000 in death benefits, \$75,572.50 for sick benefits at the rate of \$1.50 per day and 99 employees were carried on the pension roll at \$40 per month, making the total pension payment \$47,520 annually.

#### COÖPERATION BETWEEN CAPITAL AND LABOR

Many men have expressed many theories of how the problems of capital and labor can best be solved. I submit that this is not the day for idle theorizing or far-fetched dreams. The problem is one for practical men, who, facing what sometimes appear to

be insurmountable difficulties, approach the problem with earnest purpose and open minds, dealing squarely with all factors involved, inspiring confidence in the honesty of their intent, gaining the good will of the employee and establishing a record of concrete results that must stand as a granite wall against which the voices of idle discontent beat in vain.

Here, where labor and capital have adopted coöperation as the keystone of relationship between management and men, there is being garnered today a harvest of adequate wages and continued tranquility, as contrasted with that industrial unrest which prevails in many quarters.

It is with coöperation between capital and labor that the hope lies for tomorrow. This can be said with

great confidence because it is becoming clearer daily that men and management, uniting within their ranks the brain that plans as well as the hand that performs, can go forward together for increased production.

Neither capital nor labor alone create wealth, since management is the first essential thing. Management must map out the problem from the initiatory stage to the completion of the last detail before material toil can begin. Labor without the management would be crippled forever, but labor united with management, each welcoming the other and combining forces, dealing with each other frankly and fairly, together create a force that is irresistible and illuminates another forward step in the progress of civilization.



## Collective Bargaining—Some Fundamental Considerations

By MAGNUS W. ALEXANDER

Managing Director, National Industrial Conference Board, Boston, Mass.

**I**N the backwash of the World War "collective bargaining" has loomed up as one of the controversial industrial questions of importance. It was the issue on which the President's First Industrial Conference in October, 1919, was disrupted. The President's Second Industrial Conference, in its final report of March 6, 1920, stated that collective bargaining and the obligation to carry out the collective bargain when made, were two of the most highly controversial questions which came before it.

### CONFUSION IN THE DISCUSSION OF COLLECTIVE BARGAINING

Anyone making a study of this question is at once impressed by two striking facts; namely, the confusion in the discussion, and the fact that collective bargaining is not a new issue. Much has been said and written, but there has been little of clear or fundamental thinking on this subject. In the heat of the argument, polemics have taken precedence over dispassionate reasoning. The controversy is further confused by the different senses in which the term "collective bargaining" is used and the varying mental reservations entertained by those arguing the subject.

Trade unionists insist that the only true method of collective bargaining is that under which the employees are organized in trade unions, and where conditions of work are fixed jointly between the employer and trade union delegates. This is the narrow inter-

pretation of the term which implies the closed union shop and the recognition by the employer of the trade union as the exclusive representative of the employees. Opposed to this narrow limitation is the broader construction which includes any process of collective action between an employer and his employees, in which the latter are represented by representatives duly chosen by the employees without necessary reference to trade unions or other outside organizations. This construction does not limit the type of shop organization, although it usually implies the shop in which employment is not conditioned upon membership or non-membership in a trade union. It implies also that the employer may deal with his own employees as a whole or through a committee chosen by and from among themselves, or with duly chosen employee representatives from outside the industrial establishment.

The second striking fact in the discussion is that collective bargaining as a matter of group dealing, in spite of its sudden prominence as an issue, is not new; only the name now applied to it is of relatively recent date. The term was perhaps first used in 1891 by Mrs. Sidney Webb, wife of the well-known English economist, a collaborator with him in several works on trade unionism. The Industrial Commission, created by an Act of Congress in 1898, stated in its report of 1901: "Whether the phrase 'collective bargaining' will ever become established in common use in the United

States is perhaps doubtful. It is, however, clearly desirable that the nature of the practice which it represents should be clearly understood." (Vol. XVII, chapter 2, page LXXVII.) The term has come into common use but unfortunately with an equivocal meaning.

Prior to the World War little was heard of collective bargaining. Interest in the subject was largely academic; but the incorporation in 1918 of a statement on collective bargaining by the National War Labor Board in its set of governing principles and policies undoubtedly did much to bring the subject to the forefront.

While the use of the term and the issue itself appear to be so recent in origin, the act of negotiation by an employer or a group of employers, upon one side, and a group of employees, on the other, which is the essential of any method of collective dealing, is considerably older. As early as 1795, a trade agreement was entered into by the employers and workmen in the printers' trade in New York City; and, while viewed in the light of today, this agreement was undoubtedly crude, it proves that the process of collective dealing in industry did exist even in the early days of the republic.

Moreover, whenever in the history of industrial operation the employer at any time desired to secure the judgment of his workmen on matters of shop practice or of other mutual concern, he called the workers together or, if they were too numerous, asked them to select a committee in order that he might consider with them matters of common interest. Where, for instance, unemployment threatened, employer and employees would in this manner jointly consider the best policy in respect to lay-offs, discharges, or the distribution of employment. Similarly, they might discuss and agree

upon questions of hours of work, employment and training of apprentices, safety and sanitation, working on holidays, or arranging a shop picnic. The process of dealing between an employer and all of his employees jointly, or groups or committees of the employees, is in effect collective bargaining and, in a broad sense, is not necessarily dependent upon a fixed formula of negotiation or a special type of organization.

#### FUNDAMENTAL CRITERIONS OF COLLECTIVE BARGAINING

Collective bargaining means adjustment of industrial relations between employer and employed through group negotiation. Individual bargaining refers to the expressed or implied agreement between a single employer and a single employee, and the terms of the agreement apply only to him. The individual employee determines for himself the conditions under which he will work and this is made the basis of his dealing with his employer. In contrast, under collective bargaining a single employer may meet with many employees, or many employers may meet with many employees, or their representatives may meet, and the agreement made may apply to a single establishment, to a department therein, to a trade, or even to a whole industry.

*Group Action.*—As already stated, a fundamental criterion of collective bargaining is group action. The group may consist of all employees in an establishment, or it may be a committee representing the employees of an establishment or of a group of establishments. In any event, in order to effect a collective bargain, some degree of association must prevail among the employees. It may be formal or informal, permanent or temporary. It may be a trade union or it may be a shop committee, a works council, or

some other form of voluntary association. The final report of the President's Second Industrial Conference says on this point: "There are two types of 'collective bargaining' as thus defined; one in which the employees act as a group through the trade or labor union; the other in which they act as a group through some other plan of employee representation." (page 30)

*Responsibility on the Part of Both Parties.*—An equally important fundamental consideration in collective bargaining is responsibility on the part of both parties to the bargain. This responsibility must attach not only to the principles in the bargain, whether they be individuals or groups, but must clearly attach also to those who represent them as agents. There must not be any exercise of power without corresponding legal as well as moral responsibility. Lack of responsibility on the part of trade unions for their own acts and those of their agents is one of the reasons for refusal by employers to enter voluntarily into trade agreements with trade unions and to recognize them as the spokesmen of their employees.

It is, therefore, essential in collective bargaining, first, that there should be negotiation with a group of employees if it cannot be had with all employees simultaneously; second, that the employees should be brought together, temporarily or permanently, in some form of association, although such association need not be a trade union; and, third, that the groups must be legally responsible for their own acts and those of their representatives.

The means by which these representatives are chosen and the character of the representatives are important considerations. It is obvious, however, that when the contracting parties and their representatives on both sides bear to each other the simple relation-

ship of employer and employee, this relationship, involving as it does daily contact and continuous common work interest, can best be controlled and fostered by the ordinary and traditional rules of business.

#### EMPLOYERS AND ORGANIZED LABOR'S ATTITUDE ON COLLECTIVE BARGAINING

As already stated, collective bargaining between an employer and his employees has existed in some form or other since the early days of modern factory organization. It is not now opposed by employers generally. The principle of collective bargaining, however, is not the matter in controversy. It was readily agreed to by the National War Labor Board, and it was not questioned in the President's First Industrial Conference. In its letter to President Wilson at the termination of that Conference, the Public Group said:

We deem it important to emphasize the fact that the Conference did not at any time reject the principle of the right of the workers to organize and to bargain collectively with their employers. Neither the Conference as a whole, nor any group in the Conference, opposed the right. The difficulty that arose and the issue upon which the Conference failed to agree, was not upon the principle involved but upon the method of making it effective.

It is the special interpretation and the method for making collective bargaining effective that strikes at the heart of the controversy.

For light on these questions the President's First Industrial Conference furnishes a fruitful field of information. The labor group interpreted the right of collective bargaining by wage earners as an obligation upon the employer to deal for this purpose exclusively with a trade or labor union. The employers' group insisted that any lawful form of organization, including the shop committee or works council,

should be recognized as the medium through which the employer might deal collectively with his employees. It is clear, therefore, that the labor unions, for whom the labor group acted as spokesman, intend to use collective bargaining as a means of forcing complete unionization on the industries of the United States. They want to coerce the employers into dealing with organized labor and for that purpose seek to establish and enforce the maintenance of the closed union shop with its restrictions on freedom of employment and on productive output.

Such coercion the employers naturally and rightfully resent. They equally insist that the employees be free to decide for themselves the kind of association they wish to form for their representative negotiation. Further evidence of organized labor's position on the issue of collective bargaining is found in the statement of members of the labor group, who, as reported by the chairman of the general committee of the Conference, insisted that the resolution for recognition of the right of wage earners to bargain collectively be so worded as to mean that it "inhibited and prohibited the idea that any other body (than) a trade or labor union could be meant by the resolution, that it was an invitation going out from this conference to wage earners to join no other organization except a trade or labor union."

The same view is expressed in the resolution adopted by the American Federation of Labor at its annual convention in Atlantic City, June 9 to 23, 1919, which reads as follows:

Whereas many steel corporations and other industrial institutions have instituted in their plants systems of collective bargaining akin to the Rockefeller Plan. . . . Resolved, that we disapprove and condemn all such company unions and advise our membership to have nothing to do with them; and be it further re-

solved, that we demand the right to bargain collectively through the only kind of organization fitted for this purpose, the trade union, and that we stand loyally together until this right is conceded us.

### *Employee Representation*

Equally clear from the records of the Conference is the difference in position of the employers and of organized labor in respect to the character of employee representation for purposes of collective bargaining. The Labor Group's resolution in the Conference specifically emphasizes the right of wage earners "to be represented by representatives of their own choosing in negotiations and adjustments with employers." In taking this stand the labor group knew that, as a matter of practice, labor union agents would be the employees' representatives whenever at least an aggressive minority of employees in an establishment were members of labor unions. From experience also the employers in the Conference knew likewise; and besides they knew that these representatives would, as a matter of fact, not be chosen *by* the employees but *for* the employees *by* the labor union officials. They might be men from outside the establishment, usually not familiar with the circumstances of the issue and having primary interests other than those of the employees whom they claim to represent. They might, therefore, bring an element of antagonism into the negotiations which would be fatal to good relations between the employer and employees in an establishment.

The Employers' Group, therefore, insisted on adding to the resolution the following clause:

. . . and the right of the employer to deal or not to deal with men or groups of men who are not his employees and chosen by and from among them is recognized, and no denial is intended of the right of an employer and his workers voluntarily to agree upon the form of their representation relations.



The employers plainly demanded as of vital importance, and so announced in their final statement at the termination of the Conference "that the employers and employees in each individual establishment should exercise every effort to settle between themselves all questions arising in the employment relation without intervention of outsiders. Management and men should regard this as one of their prime privileges and duties." In this attitude employers do not challenge the right of their employees to join labor unions or any lawful organization on their own volition, nor do they take issue with legitimate activities of labor unions, but they believe it to be of vital concern to the mutual interests of the employer and his employees and conducive to the soundest industrial development of the country that individual establishments be considered the place of mutual interest and the medium of collective dealing. On this question the President's Second Industrial Conference unanimously supports the employers' contention when it says in its final report:

The guiding thought of the Conference has been that the right relationship between employer and employee can be best promoted by the deliberate organization of that relationship. That organization should begin within the plant itself. . . . Industrial problems vary not only with each industry but in each establishment. Therefore, the strategic place to begin battle with misunderstanding is within the industrial plant itself.

Yet with it all, the employers in the first conference did not preclude the presence of men from outside the establishment as employee representatives. "The employer should be free to exercise his judgment as to whether he will meet outsiders as representatives of his employees" is one of the sentences in the final statement of the Employers' Group. The employers repeatedly stated that they would

ordinarily welcome as the representative of the employees the priest or minister or some other public person in the locality, if he were fairly chosen by the employees and himself did not prove to be objectionable because of pronouncedly antagonistic preaching or actions. Similarly, they might accept an outside labor union agent, but would not be coerced to accept any such agent unless there existed in a closed union shop an agreement to this effect between the employer and the labor unions.

Moreover, employers readily concede that employees' representatives should be free to exercise the privilege of conferring outside the conference room with anybody they may choose—labor leader, lawyer or layman—before assenting to or dissenting from any proposition. Equally, the employers would bring into the negotiations only representatives regularly employed in the establishment in which collective dealing is in process.

The chief argument of organized labor against representation of employees chosen by and only from among themselves is based on the claim that such representatives would not be free to express their convictions, as they would be conscious at all times of the dependency of their positions on the will of their employer. There may be some basis of truth for this statement, but full freedom of the employees' representative in the collective negotiation, without in any way endangering their positions, can and must be safeguarded by proper provision and explicit statement of the employer; and public opinion can and will enforce strict adherence to this vital protection of the workers.

Another main contention of the Labor group in the President's First Industrial Conference in support of their view of wage earners being "rep-



resented by representatives of their own choosing" referred to the analogy between the political democracy enjoyed in the United States and the industrial democracy sought to be established therein. But this analogy is a strong argument against, and not for, organized labor's contention. The citizens entitled to vote in a state or a municipality of the United States, when choosing respectively their governor, mayor, or other public representatives may select men of their own choosing provided these men are bona-fide citizens of the state or municipality, as the case may be. And similarly the representative of them all in external as well as internal negotiations, the President, must be chosen from among the eligible citizens of the United States. The employers' group claimed that this arrangement should, as a matter of right, even if set aside as a matter of voluntary choice, equally apply in industry. The employees of an establishment should, therefore, be free to choose their own representatives, provided the latter are from the eligible list of the citizenship of the establishment or, in other words, are bona-fide employers therein.

#### COLLECTIVE BARGAINING AND THE SMALL EMPLOYER

There is one other important consideration that must not be overlooked when discussing the issue of collective bargaining. Whereas the industrial establishment with many employees requires, as a practical matter, that there be some method whereby the employees, if need be, can, deal collectively with their employer in respect to wages, hours and conditions of work, individual dealing can be and is a common practice in small establishments. In spite of the great development of industrial organization within the past fifty years, the important

industrial factor today is that of the small employer. According to the United States Census of Manufactures of 1914, covering 275,791 manufacturing establishments, only 648 establishments or one-fifth of one per cent employed over 1,000 wage earners each; their aggregate employment embraced somewhat over one and one-quarter million men and women out of over seven million employed in all establishments. Each of 270,687 establishments, or 98.1 per cent of all, employed 250 wage earners or less; and each of 273,795, or 99.2 per cent employed 500 wage earners or less, including in the aggregate almost five million workers.

It may be stated with a fair degree of certainty that the census now under way will not show any marked difference in the general distribution of small, medium-sized and large establishments. While the latter will, no doubt, have increased, they may not number more than 1 per cent of the whole; and it may be safely assumed that at least 90 per cent of all the industrial establishments will still each employ 250 workers or less.

The relatively small establishments, therefore, constitute the backbone of the industrial system in this country, and personal contact and individual dealing between employer and employees should not be a difficult matter in such plants.

While the individual employee in a large establishment may feel that he is unable to bargain on an equality with a powerful employer and, therefore, should seek protection through the process of collective bargaining, it must be admitted that the small employers—the 98 per cent of all—would be at a distinct and unfair disadvantage if they were obliged to bargain collectively with a powerful trade or labor organization.

## THE PRACTICAL EFFICIENCY OF COLLECTIVE BARGAINING

Collective dealing in itself is a method or means of negotiation; it is not a panacea for labor difficulties. Its acceptance and use grant no assurance of freedom from industrial disturbances. If the parties dealing collectively are unable to agree, the imminence of a dispute and interruption of industrial operation is great. This is clearly recognized by students of the question. Even Sidney Webb, the champion of trade unionism and of collective bargaining, says that "it is impossible to deny that the perpetual liability to end in a strike or lockout is a great drawback to the matter of collective bargaining. So long as the parties to a bargain are free to agree or not to agree, it is inevitable that human nature being what it is, they should now and again come to a deadlock leading to that trial of strength and endurance which lies behind all bargaining."

The discussion of collective bargaining must come finally to a pragmatic test. In the end the essential question

is: How does it work? Theory is not enough, speculation is not sufficient, practice is the ultimate test.

From the foregoing discussion it is clear that there are two general concepts of collective bargaining, one narrowly limited, the other broad in scope. The narrow view of collective bargaining is inseparably bound up with recognition of trade unions and enforcement of the closed union shop. I believe this view is being outgrown in the United States as we are thinking more clearly about collective bargaining.

The broad definition of collective bargaining, which includes any type of collective action on the part of employees, is being more and more generally accepted. The determination of wage rates, of hours and conditions of work, is to be the result of a voluntary agreement between two responsible parties. It is to be not a truce, but a mutually satisfactory arrangement. This is the essence of the new concept of collective bargaining. It is a hopeful sign of progress.

## Collective Bargaining in the President's First Industrial Conference

By CHARLES EDWARD RUSSELL

Member, President's First Industrial Conference

AS a member of the President's first industrial commission and the author of the resolution as to collective bargaining referred to in Mr. John A. Voll's article,<sup>1</sup> I am going to give you a chapter of the previously unprinted history about the first industrial conference. Mr. Voll has not overdrawn the unfortunate consequences of the collapse of that conference, because every strike that has happened since, more or less, is traceable to that collapse. This is what happened.

### NECESSITY FOR SATISFYING EMPLOYING GROUP

After the resolution was defeated the late Henry B. Endicott, who had assisted me in drawing it up, came to me and together we tried to draw a resolution that would meet the objections of the employing group, for that resolution was defeated exclusively by the employing group. We used our best efforts, and the steering committee, the committee of fifteen, presented this resolution, which, so far as we had been able, was drawn to meet every possible objection that could be raised by the employer. That resolution was, of course, rejected by labor. We knew it would be, but please note—it was also rejected by the employing group after we had done everything we could think of to meet every possible objection they had raised. After one day of bickering over this thing in the steering committee, when we reached that point with

no result, I turned to the chairman of the employing group and asked him if he would please present a resolution satisfactory to the employing group. The employing group retired. They came back with a resolution, which it was perfectly obvious to every intelligent being was a resolution that could not possibly be accepted either by labor or the public group, because it was, in effect, a denial of the fundamental and primitive principles of collective bargaining.

Why do I state these things? It is for this reason. We have overlooked one great obstacle that stands in the way of industrial peace. It is this. There were three distinct impressions left on my mind as the result of that conference, and I think upon the mind of every other member of the public group. They were these: first, that a large number of employers, if the representatives in that group truly represented the employers in this country, had in their minds a certain lingering hatred of organized labor which was the result of a long conflict—it was a certain usufruct of old contention, that blinded them to conditions; second, there was at work a certain definite caste feeling, manufacturers stood by manufacturers because it was a manufacturing instrument, and that caste was most tremendous in bringing that conference to wreck; third, that there was a large number of employers in this country who were utterly unenlightened as to the tremendous changes that had taken place in society as the

<sup>1</sup> See page 50. THE EDITION.

result of the war, I state these without any desire to reproach those in the employing group, but simply as a statement of fact: they did not know that society had undergone a tremendous change. Labor was no longer on the basis it used to occupy. There had been revealed to labor as the result of the war a new vision of its social importance.

#### PEACE AND THE EMPLOYING MIND

We want peace, but if we want peace one of the first things we have to do is to try to enlighten the employing mind as to these things. Do not overlook the fact that the responsibility for doing that and the functioning of it depends upon each individual. Thinkers and leaders in colleges, newspaper editors, etc., can do something, but in this country public opinion is all important, and just as public opinion shall decide in

regard to the recalcitrant employer who will not have his mind opened, just so he must proceed. For one employer in this country can go upon this course in defiance of public opinion. The difficulty about the proper and reasonable expression of public opinion on this matter is that so many share this prejudice against organized labor. It is the result of misrepresentation, of a long series of years of misrepresentation, but, do not overlook the fact that whatever may have been the faults of the American Federation of Labor they were human faults—all human organizations are subject to them—nevertheless, the fundamental fact remains that organized labor in this country stands for that progress toward a due recognition of labor in its industrial, economic and social position which alone will insure industrial peace.

## The Enforcement of a Minimum Wage Law as a Form of Collective Bargaining

By JESSE C. ADKINS

Member, Minimum Wage Board, District of Columbia

A MINIMUM wage law properly administered really results in a bargain between the employer and the employee and, the most important class of all, the public.

The right to a living wage, that is, a wage sufficiently large to give the workers reasonable food, clothing and shelter, is universally admitted today. It has been preached for a long time. There was a time when the employer was justified in paying any wage so long as it was the going wage. If it were \$3.00 a week, and everybody else was paying \$3.00 a week, he was justified in not paying any more, but when the matter is brought to his attention and he realizes that no human being can live on \$3.00 a week or \$6.00 or \$8.00 or \$10.00, or whatever it is, he is no longer justified in paying so small a wage.

### THE MINIMUM WAGE LAW IN THE DISTRICT OF COLUMBIA

The statute in force in the District of Columbia, in its concluding section, contains this statement of principle: "The purposes of the Act are to protect the women and minors of the District of Columbia from conditions detrimental to their health or morals, resulting from wages that are inadequate to maintain decent standards of living." I think any employer who reads that statement, or any consumer, will readily agree that he does not want to be a party to employing any woman or child at a wage which will not be sufficient to enable the employee to live decently.

Beginning in 1896, in Victoria, in a temporary statute to protect the workers in certain sweated industries, the minimum wage law soon became permanent there and extended throughout Australasia to England, Canada and even to the United States. The first act in our country was adopted in conservative Massachusetts in 1912. Since that time it has been adopted in thirteen other states and in the District of Columbia—practically one-fourth of the country. It is rather remarkable that, except for Massachusetts and the District of Columbia, the other states are located in the west—all of them on the other side of the Mississippi River.

The statute adopted in the District of Columbia during the war is patterned after the Oregon statute which had recently been sustained by the Supreme Court of the United States—true, by an equally divided court. It is typical of all of the minimum wage laws. In the first place, there is a board consisting of three members, one member representing each of these three parties to every bargain that is made today: the employer, the employee, and most important of all, the public, the man who pays the bill. That board administers the law. The statute does not itself extend, it is not self-extensive, to any particular occupation. Certain inquiries must be made and certain things done to bring any industry within its terms.

In the first place, it was necessary to find out what it would cost a woman or child to live, with due regard to her



health and morals, in the District of Columbia. In the District we called upon Dr. Royal Meeker, the Chief of the Bureau of Labor Statistics of the Department of Labor, to find out generally what it did cost a girl to live in the District of Columbia, and very quickly he reported that roughly the figure of \$16.00 might be taken. Thereupon, the board proceeded to make an inquiry into various occupations. Wherever it found that a substantial number of women in any industry was receiving less than this \$16.00, it became the mandatory duty of the board to call a conference for the purpose of correcting the difficulty. That conference really does the work. While there is more or less compulsion back of this statute, whoever drafted it devised a process which really results in bringing the employers and employees together and causing them to reach a bargain. True, there may be some force behind that bargain; they are compelled to reach it, but after all it is usually a bargain.

This conference, then, is composed of an equal number of representatives from each of the three classes, and we have hit upon the number of three. At least one member of the board must sit at every conference, so that our conferences are composed of ten, eleven or twelve—we have tried all three figures. That conference takes whatever evidence has already been collected with reference to that particular industry as to the cost of living, and then goes ahead on its own account. It takes whatever evidence it wants. It has the power to issue subpoenas, and bring in witnesses, to examine the books of merchants, etc. Finally the conference reaches the figure which it thinks, or the majority thinks, is the actual cost of living in the District of Columbia. That figure then is reported back to the board. The board

from that time on has a very limited power of veto, but no power whatever to change that figure. If it approves the figure it then fixes a day four weeks off for a public hearing, which is duly advertised, and everybody is invited to come in and speak for or against the figure. If the board still approves the figure, it makes an appropriate order, and that figure becomes the minimum wage for the girl or woman in that particular occupation and becomes effective sixty days after the order is made. If the figure is not satisfactory to the board it may appoint a new conference or send the matter back to the same conference and ask for a new report.

Legally this is compulsory. In practice we have tried to eliminate the compulsory feature and work it out as an agreement—get the parties together. The members of the public have really acted more as mediators than arbitrators. It is true that they have the power of arbitrators and are, therefore, much more effective as mediators than they otherwise would be, because each side knows that unless he tries to get together with the public he is likely to have the public side with the other party.

Now, while we may say roughly that \$16.00 is the cost of living, it is not mathematically accurate. No human being can say that \$16.50 or \$15.50 or even \$17.00 is not just as near the cost. So within limits the effort is made to agree, and we have always figured that an agreement by all the parties was worth at least 50 cents as to the wage.

#### THE MINIMUM WAGE IN PRACTICE

The District has been exceedingly fortunate in its experience with reference to this law. In the first place, the employers themselves, when the bill was pending before congress, joined in the request that it be passed. They said they liked that form of arbitration.

In the next place, the president of the Merchants' and Manufacturers' Association, which is the principal organization of that kind in the District—there being few manufacturing interests in the District—was a member of the board. He was broadminded and fair, had the confidence of all sides, and was a tower of strength. As might be expected from their attitude at that time, the merchants, as well as the entire employer class, have been equally helpful in the enforcement of the statute, and have coöperated in every way with the board.

We were equally fortunate in our first conference. We were able to persuade one of the judges of the supreme court of the District to preside. We were also able to get, as representatives of the public, Dr. John A. Ryan, who knows more about the minimum wage law than any other person living, and also Mrs. Frances Axtell, who had been a member of a minimum wage board in the west and who was at that time in Washington. We were, therefore, able to get sane and sensible people with our first conference, and they were able without very much difficulty to bring about an entire agreement between employers and employees. These conferences result in a very much better feeling between employers and employees. Each sees the other's side and comes to respect it; for example, after our conference in the mercantile industry, one of the employers offered employment to one of the representatives of the employees. He had been so impressed by her work there that he wanted her to work in his store.

It has not been necessary in the District for all of the employees to wait until the board in its rather deliberate procedure could reach their industry. In a number of cases the employer has adopted the minimum wage as soon as he learned what the figure was. For

example, one large publisher, the moment the figure of \$16.00 was announced and before conference as to any industry raised all of his wages to that point. The telephone company, employing over 1,200 girls, has recently raised all of its wages to that point. A small manufacturer coming from another city to Washington visited the board in the first instance and asked what the minimum wage was, and he proceeded to adopt it in his factory.

We have had even gentlemen's agreements with our employers; for example, in the mercantile industry it was thought advisable to limit the number of learners and minors to be employed in the stores. In the printing industry there had been a limit in the order of one in five. The merchants said they were perfectly willing to obey that proportion, but if we made a formal rule it meant in the large stores employing one or two additional clerks to do nothing but keep track of that feature, so they said, "If you will not make the order we will live up to it anyway." The five and ten cent stores did not belong to their organization, and in other jurisdictions there had been more or less trouble with the five and ten cent stores. They said in these other jurisdictions, "We don't need clerks, really. Our goods sell themselves and why should we pay so much money to a girl who does nothing more than wrap up goods and take the money?" We made that agreement with the merchants and they have lived up to it, not only those who belong to their organization but the five and ten cent stores also have done the same thing, and in Washington they have finally come to be strong adherents of this law. Before the law went into effect in the department stores the percentage of learners and minors was about 25. Within a short time it decreased to 18. The five and

ten cent stores had a percentage as high as 43, but it has decreased with them to 25, and they are quite enthusiastic about the law. For example, one of them said that during the Christmas holidays of last year, after the law was effective, the actual labor cost was no greater than it was in the preceding year—the girls were that much more effective.

#### PROSECUTIONS UNNECESSARY

We have not had a single prosecution for the violation of this statute. The penalty is not very great, but even today very few people like to be prosecuted for violating the law. We are very fortunate in the secretary and assistant secretary that we have. They really do the work. They go out and look over the payrolls in the store and if they find that the proprietor is violating the law they call his attention to it, and so far they have been able to persuade him to correct the mistake; usually it has been a mistake. The employer wants to obey the law; for example, recently we discovered in a candy factory that the employer thought the wage applied only to the sales girls and not to the makers of candy. His attention was called to the fact that it covered all of them and he has agreed to make up some \$500 in back pay. One girl in a period of a few months is going to get something over \$200.

We had another illustration of the willingness of the employers to do everything they could to help us. In the conference concerning wages in the hotels one of the representatives was a colored girl, employed in one of our hotels, and while the conference was on she was discharged. Under the statute if that discharge was because of her service on the conference the employer had violated the law and was subject to a small fine. We did not

want to start a prosecution. We were much more concerned in having his cooperation. So we finally had the girl and the employer come down before the board, and it very soon developed that the cause for the discharge was something else. The fact that the girl served on the conference may have indirectly led up to it, because she learned something more about her rights and, perhaps, was more assertive than she would have been otherwise, but I think the real difficulty came over the question of stew. I understand that is constantly a point of discussion between the girls who are employed in the hotels and proprietors of the hotels—how much stew and how often they shall have it. While we saw that the statute had not been violated, we suggested to the employer that it would be impossible for him or us to convince other girls in other industries that it was safe for them to serve on conferences if one girl had been discharged, even for a reasonable cause, and as soon as he saw that he said, "Very well, I am perfectly willing to take her back." However, she did not want to return. She said she had never been discharged before and now that she was vindicated and the law was vindicated she was content to get a place elsewhere.

Briefly, I have simply tried to show that so far as we are concerned, while the statute may result in compulsory arbitration, it may be administered, and we have tried to administer it so that it results in collective bargaining. Colonel Walter Dill Scott recently remarked that in order to promote industrial stability it was necessary to stimulate the worker to the utmost production. Now, I ask how can a worker give the utmost production unless he gets enough to eat and to wear and comfortable shelter?

## Government Coercion in Labor Disputes

By JOHN A. FITCH

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**I**NDUSTRIAL peace will become a present fact when those who are engaged in industry desire it and have the vision to take the steps necessary to its realization. It is primarily the workshop and not the legislature which has the opportunity and the capacity to make an end of the strife between capital and labor. In attempting, therefore, to suggest measures that the government may take to help avoid industrial disputes, as I shall do later on, I do not wish to be understood as thinking that it is the government which has the greatest part to play in bringing about industrial peace. I recognize, however, that the contribution of government to this question is very important and I am deeply concerned that when it is made it shall promote and not defeat the end that we all desire.

Demands for the compulsory arbitration of industrial disputes in the United States have been numerous, but they have not always come from the same people. Back in the eighties the Knights of Labor in New York tried to get the legislature to enact a law providing for compulsory arbitration. They wanted such a law because they could not get the employers to meet them for the discussion of grievances, and they wanted the state to compel them to listen, and to submit to a judgment other than their own. In the same way, and for the same reason, the workers of Australasia asked for compulsory arbitration in the nineties. In recent years, however, labor has been absolutely opposed to government coercion in labor disputes, both

in the United States and abroad. The cry for coercion has come from other groups and it has been chiefly concerned with railroad employment. In the last years before the war this sentiment was growing stronger. The board of arbitration, which handled the case of the locomotive engineers in the eastern territory in 1912, brought in a recommendation that a government board should fix wages on the railroads. They took the position that if the government were going to control income, it ought also to take responsibility for one of the chief elements in cost. Nothing came of this, but in 1916, when a general railroad strike was averted only by the passage of the Adamson Law, the demand for compulsory arbitration became widespread. In January, 1917, therefore, a bill was introduced in Congress for compulsory investigation along the lines of the Canadian Industrial Disputes Act. This bill did not, however, become a law.

### BASIS OF NEW DEMAND FOR GOVERNMENT COERCION

Of course, the war changed the aspect of industrial relations and of industrial controversies, just as it changed other matters. There was general acceptance of the idea that other methods than strikes must be found for the settlement of disputes. Consequently adjustment boards were created which during the war came very near to exercising the power of compulsory arbitration. These boards went out of existence with the end of the war. With their ceasing to func-



tion, there arose a demand for coercion that far exceeds any previous movement of the sort.

The reasons for this movement are not altogether simple, but it has a distinct relationship to certain outstanding controversies to which the attention of the public has been directed. The steel strike of 1919-1920 was reported to be a revolution. The report was without foundation and without justification, but merely because the newspapers said it, a great many people believed it and thought that drastic measures were needed. The coal strike touched people at a vital point. There was fear that the fuel supply was to be cut off at the very beginning of winter. The talk of a railroad strike, which has been uppermost in thought and public discussion for at least a year, and finally the actual occurrence of the so-called "outlaw" strike on the railroads this spring emphasized again in many people's minds the desirability of government machinery to make such things impossible.

Another factor is the rapid growth of the unions during the war period. During the last three or four years the unions have practically doubled their membership. In the absence of knowledge of what the unions will do with their new strength there has arisen a certain fear and a feeling that unions should be curbed. Then we have had evidences of unusual restlessness, strikes both authorized and unauthorized have been many, members of labor unions have been getting out from under the control of their leaders. All of these things have had something to do with the demand for compulsory arbitration. They have furnished the occasion also for all sorts of wild denunciations and recriminations. We have had the claim made that strikes are a manifestation of "bolshivism;"

that they were either inspired by bolshhevik influences or that the purpose of strikes is to set up a Soviet government. Consequently, there is a demand in some quarters that strikes be made unlawful whether there is machinery for adjudication or not.

#### LEGISLATIVE PROPOSALS FOR GOVERNMENT COERCION

The first concrete legislative proposal for the exercise of the coercive power of government in industrial disputes, since the war, was that contained in the original Cummins bill, for the regulation of the railroads. It made strikes illegal. It offered fine and imprisonment for those who fomented strikes and created machinery for compulsory arbitration. When that bill was revised in conference the compulsory features were removed to a certain extent. Agencies were created for the settlement of disputes, and it was made mandatory upon the employers and employees to submit their cases to those agencies. Although the penalty for violation of the law is publicity alone, its mandatory character remains and the law is being viewed with a good deal of suspicion by organized labor.

In the various states we have had during the last year a number of very interesting proposals, having as their object either the prohibition of strikes without alternate methods of adjusting the dispute, or compulsory arbitration; for example, there was introduced in the Massachusetts Legislature during the last session a proposed amendment to the Constitution which read, "All controversies between employer and employees are deemed dangerous to public welfare, and the General Court shall have the right to pass laws restricting the right of individuals to strike."

A Constitutional Convention was held in Illinois. Many proposals

came before it dealing with the right to strike. One of them reads as follows: "The right of all the people to the continuous and uninterrupted supply of food, fuel and transportation is a primary right. Such right shall not at any time be obstructed or interfered with by the concerted action of any two or more persons."

This, it will be observed, is a denial of the right to strike without making provision for any other method of adjusting disputes. Besides this there were no less than five proposals for compulsory arbitration, setting up courts for the adjudication of labor disputes, and there was one counter-proposal denying to courts—either existing or to be established—any right whatever to limit the right of labor to strike.

As to bills in legislatures during the sessions of 1920, there was one in Massachusetts providing for compulsory arbitration on street railroads, one in New Jersey applying to certain industries which were said to be "affected with a public interest," four such bills in the New York state legislature, and I dare say they were introduced in other states as well, though they have not come to my attention.

So far, only two laws have actually been placed on the statute books of states providing for the entrance of the coercive power of the government into the field of industrial relations. One, in Colorado, was passed in 1915. It is a compulsory investigation law and forbids a strike or a lockout until the investigation has been completed. The other is the law creating the court of industrial relations in Kansas which was passed early this year. I will discuss that law because it is probably the most interesting bit of legislation in this field, certainly the most interesting in this country.

The Kansas law creates a Court of

Industrial Relations consisting of three judges, whose term of office is three years. The jurisdiction of the court is over the manufacture of food or clothing, the mining of fuel, the transportation of those commodities and over public utilities. A bill was introduced in New York state in the recent session which was a verbatim copy of the Kansas law in every respect but one. There were added manufacturing concerns in which wood or iron was used for the construction of material to be used eventually in building or on public utilities.

These industries are declared by the Kansas law to be "affected with a public interest." In these industries there must be no strikes, and there must be no suspension without the permission of the industrial court. The penalties for violation of the law are, if by a "person" \$1,000, or one year in jail, or both; if by an official of a union or corporation \$5,000, or two years in jail, or both.

The court may intervene in the case of an industrial dispute, either on its own motion or when requested to do so by either one of the parties, or on the appeal of ten citizens, or on the complaint of the attorney-general of the state. It may issue a temporary award at the outset and then after its investigation a final award. The final award is to be retroactive, so that if wages are raised the employees will be entitled to back pay from the date that the investigation began. If the result is the reduction of wages the employees will have to pay back to the employer the amount that they have received over and above the amount awarded by the court. The court must proceed in accordance with the rules of evidence as laid down by the Supreme Court of the state.

There are certain protective features. Wages and profits are to be "reason-

able." The workers are not to be discharged on account of testimony given before the court, the employer is not to be boycotted for anything he has done in connection with the court, and the right of appeal to the Supreme Court of the state by either side is affirmed. There are some provisions regarding union relations which seem to imply, without directly requiring it, that a union should be incorporated.

Very interesting possibilities are suggested by this Kansas law. It requires industry to operate with "reasonable continuity and efficiency." That is a very startling requirement for coal mines, which are not in the habit of operating with continuity, to say nothing about their efficiency. Through this law Kansas becomes the first state to enact a minimum wage law for men. The court has the power to fix wages and everything else in connection with the labor contract. It will be interesting to see whether that provision is constitutional.

With the expressed purpose of the Kansas law—that of promoting stability and peace in essential industries—few would range themselves in opposition. Indeed it is because we are all so desirous of attaining those very ends that the Kansas experiment should be examined with unusual care. Will the law accomplish the things intended?

At the very outset is the rather striking fact that the law does not define the qualifications of the judges of the court. There is no attempt to insure either impartiality or competency. The judges may be employers or they may be labor leaders. They may be opera singers or horse doctors. The law suggests no standards of any sort to guide the executive in his selection of these important officials.

The law assumes to throw a certain protection around those who must

subject themselves to the decrees of the court. Wages and profits must be "reasonable and fair." But what does that mean? There is no definition currently accepted of the word "reasonable," when applied to the employee's wage. Labor is justly suspicious when it is called upon to give up the exercise of economic pressure in the determination of that question and to trust instead to the opinion or prejudice of a court.

Equally illusory is the defense that the law affords against discrimination, in the requirement that a worker may not be discharged on account of any testimony given before the court. This provision has very little significance, for an employer can easily discharge a man whose conduct is distasteful to him and find plenty of perfectly legal reasons for doing it. But Kansas should know better than to try again what it tried once before and was told it could not do. Several years ago a Kansas statute, denying to an employer the right to discharge a man for union membership, was declared unconstitutional by the Supreme Court of the United States (*Coppage v. Kansas*). There is no reason to suppose that this provision in the new law would have any better standing before the court.

We may grant that if the law is effective some very desirable things will have been accomplished, but we may question whether this is the best way to get them done. To be effective there will be required a degree of supervision of industry by the state that could be exercised far better if the enterprise in question were state owned. The law requires these industries to be operated with "reasonable continuity and efficiency." If their owners and managers fail to operate in that manner the law requires the Court of Industrial Relations to take

them over and run them until they are on a sound and efficient basis. This provision seems to take it for granted that private enterprise may fail, and that public enterprise will not. It assumes that the court has greater industrial ability and business acumen than the private owners. If this is the case, much time would be saved and more valuable service rendered if the state were to take over these industries and operate them at once.

Far more important than this is the fact that the law utterly confuses industrial controversies with private personal controversies, and assumes that they can be handled in the same way. That is impossible because the two are essentially different. Private quarrels can be settled in a court. In such a case the questions to be settled relate to the legality of the acts of the individuals before the court. Have these acts been in accordance with certain legal regulations previously existing and understood? In deciding this question the judge is not left to his own resources. He is guided and controlled not only by the statute law applicable to the case but also by a vast body of common law and precedent, by well established and accepted principles of jurisprudence.

It is different with an industrial dispute. The question is not legal but social and economic. If such a question is to be settled by a judge, he is thrown altogether upon his own resources. He is guided by no body of law or agreed opinion. He will find no standards which men have everywhere accepted. He will have no recourse to the experience and wisdom of the past, as will his brother in the courts of law.

The Kansas Court of Industrial Relations may therefore coerce, but it cannot be said to be functioning as a court because it has none of the attributes of a court except the power to

compel obedience. Instead of deciding a case according to law, it will decide according to the opinion, prejudice, knowledge or ignorance, good or ill will of the members of the court. This, it must be admitted, is a fundamental defect in an agency set up for the purpose of making an end of industrial strife.

#### THE CONSUMER DEMANDS GOVERNMENT COERCION

The Kansas law represents the high water mark, so far, of the movement in this country for compulsory arbitration. There is no reason, however, to suppose that it marks the peak of accomplishment in this field. Rather, it seems to indicate the first accomplishment of a movement that has great and possibly increasing support. The Cummins bill in Congress was stripped of its anti-strike features, but immediately on the calling of the "outlaw" railroad strike this spring a new bill was introduced in the Senate prohibiting strikes on railroads.

With a demand apparently so great, it is interesting to note its origin. It needs no argument to show that the demand does not come from the workers. Neither, apparently, does it come from the employers. Throughout its history the American Federation of Labor has been opposed to compulsory arbitration. They would have to change their attitude most strikingly if they were to favor government coercion in these matters, for in the past they have been opposed even to voluntary arbitration. If you take the great strikes of the last ten or fifteen years in the coal mines, in manufacturing—in everything but transportation—you will find the employers opposing voluntary arbitration. It was the threat of government operation in 1902 by the President of the United States that forced arbitration in



the anthracite coal fields, and in every other great coal strike since that time the employers have refused arbitration. The same has been true of the great strikes in manufacturing enterprises. I do not believe that the employers will come forward now and ask for compulsory arbitration by the government, when they have opposed voluntary arbitration in the past.

In transportation the situation is different. The employers there have desired arbitration and they have desired it because they are already under government control as to rates. They might well, therefore, be under government control as to wages. They could then shift the responsibility for raising wages to the same body which is responsible for keeping down their income.

The demand comes from consumers. Sometimes it seems to come from employers, but usually in their capacity as shippers—consumers of transportation. They are desirous of keeping the sources of raw material accessible. They want to ship their finished products, so they ask for compulsory arbitration for the railroads, not for themselves. The consumer is irresponsible in this matter. He wants industry to keep going and he does not care much what keeps it going. We cannot afford to trust the consumer too far in a matter in which he is asking for benefits without assuming responsibilities.

#### CAUSES FOR WORKERS' OPPOSITION OF COMPULSORY ARBITRATION

The workers oppose compulsory arbitration because of the fear of what it may do. They are afraid of compulsion. They are opposed to a minimum wage by law. The American Federation of Labor is on record as being opposed to the limitation of hours by law. They are afraid of the principle of compulsion, even if it is applied only

to public utilities, lest it be extended to other industries. What industry, indeed, is not affected with a public interest? They also have a specific fear, based upon experience. Looking back into the history of the development of trade unions they recall a time when all organizations for the purpose of affecting the labor contract were conspiracies in violation of common law, and they are living in the very presence of court decisions of recent date that threaten the effectiveness, if not the very existence, of unions. In the light of these experiences it is not surprising that the unions should be very suspicious of any extension of government control over their activities. Still more to the point, as a determinant of labor's attitude, is the fact that compulsory arbitration is a denial of an essential right—that of collective economic action. So long as the workers are outsiders, holding their positions in industry by grace of the employer and without right, with no legal protection in their jobs, they give up their right to strike at their peril. They must be equipped to protect themselves, and they doubt whether a public arbitrating body can be trusted to give them justice.

The very discussion of this subject fills them with apprehension. Great stress is laid on the obligations that the employees owe the public, but there is little or no discussion of the obligations that the public owes the worker. Advocates of compulsory arbitration seem to be concerned with making men work, and to care very little about securing justice. They are not asking whether there are significant and removable causes in the background of industrial unrest, but they appear to be looking for a way of keeping men at their jobs. The workers feel that if they are to be kept at their jobs by law, the public will go away perfectly satisfied, and

not concern itself with the troublesome question of justice.

When we pass a compulsory arbitration law, denying the right to quit in concert and leaving the right to quit individually, as, of course, we must, under the thirteenth amendment of the Constitution, we are not leaving an essential right in the hands of employees. The right to quit individually is, of course, a valuable right, but that alone does not give the workers the economic power which is necessary if they are to bargain effectively with their employers, who are organized and free to use their organized strength.

#### DISADVANTAGES OF COMPULSORY ARBITRATION

Compulsory arbitration takes away the only means by which there may be developed responsibility on the part of the workers. If you are going to give over to a government body the function of finding out what is desirable in industry and the putting of it into effect, instead of letting the workers help legislate for themselves as they are doing so effectively in the clothing industry, you are taking away whatever opportunity there may be for developing that very responsibility, that very sober sense of being a part of industry and answerable for its success and development that is essential to the development of a free people.

Compulsory arbitration takes away one right and it gives no essential right in return. A right which belongs to everyone and which has existed for years—the right to quit in concert with others as well as individually—it is now proposed to take away without a *quid pro quo*. A court is not a sufficient offering. It is a right that has been taken away. Nothing but a right can justly be offered in exchange. A court is an experiment; to the men it

is a gamble. The establishment of it constitutes no assurance to the workers that their rights will be safeguarded. Meanwhile the one thing they can count on—the right to act for themselves—is taken away.

The labor movement is a great surging forward of a vast body of men and women. They make mistakes, they sometimes choose methods that are unwise and wrong, but they are part of a movement ages old, the movement forward and upward of the masses of the people. If this movement is to continue—this movement of the people to a better status, to a better standard of living, to different and better relationships—the vanguard of it must at one point or another run counter to or go beyond conventional standards of justice and expediency. Any court set up to determine how far they shall go, will represent these conventional standards. It will not permit the vanguard to move forward, it will not permit the pioneer to express himself nor to raise up new standards of justice. The court, however just it may be according to the standards of the time, will not be a pioneer.

The movement for compulsory arbitration is headed in the wrong direction. Industrial peace will not be achieved through that agency. This, however, is not to say that the state can do nothing toward promoting better industrial relations or that it may not do much to make strife less necessary and less likely to occur. On the contrary the state can do much. It is for that reason that every effort should be made to direct the activities of the state away from negative and paralyzing coercion and toward a positive, constructive policy that will make for greater freedom rather than less, and for peace based on satisfaction rather than on fear of courts and jails.

For industry in general it is compe-

tent and reasonable for the state to establish a minimum below which bargaining and struggle shall not be carried on. Thus, at a single blow, the meanest forms of controversy are made unnecessary and the area of struggle is narrowed. Beginnings of such a policy have already been made in wage and hour legislation, in laws affecting safety and sanitation, in workmen's compensation laws, etc. What is needed is to extend and strengthen these laws?

Above the level so established, workers and employers alike should be free to organize, to bargain and to exercise pressure by means of the lock-out and the strike. It is in the industries where such organization and such freedom have reached the highest development that we have the greatest industrial peace.

#### GUARANTEES INSTEAD OF COERCION THE WAY TO PEACE

*Public Utilities.*—In public utilities, the continuous operation of which is essential to public welfare, the state should go further. We cannot afford to have strikes in these industries. It follows logically, therefore, that the remedy is not to prohibit strikes but to make them unnecessary. Where the workers in other industries are enabled to make progress by the use of their economic power, including the strike, workers in public utilities should receive guarantees that will make the strike for them an unnecessary weapon. Employment in these industries should have a preferred status. For them the state might reasonably establish, not minima, but absolute standards of employment that will insure to the workers all that they could ever hope to accomplish through the strike.

They should be guaranteed reasonable hours of labor, not exceeding eight

hours a day; wages should be higher than are paid in similar occupations that are not "affected with a public interest;" after six months a worker should be entitled to his job, subject only to discharge for cause, with a board of review to pass on the case on which the workers have equal representation with the employers. If a worker is laid off through no fault of his own he should receive unemployment benefits in the form of a high percentage of his weekly wage while he is looking for a new job.

*State Employees.*—The same policies should be adopted by the state toward its own employees. To ask policemen and firemen to remain at work because of the character of their duties and their obligations to the public, without assuring them and their families work conditions and wages that will mean health, comfort and happiness, is an act of bad faith. It constitutes a betrayal of trust that deprives any community guilty of it of the right to protest if its employees strike to compel attention to their just necessities. Such a community does not come into court with clean hands.

We are confronted by the opportunity of making a choice between constructive and destructive policies, between peace with good will and the deadly peace of coercion that ends with destruction and riot. The supreme determinant in that choice is the spirit with which society at large approaches the question. Before any remedial proposal can become effective, we must have, I believe, a spiritual awakening, a new attitude toward industry on the part of both employers and employees. We need to understand that there is an essential similarity of heart and conscience among all groups, that employers and employees are the same kind of people, working toward the same ends. We must recognize the ethics

of fair distribution and the inethical nature of income without service. The profiteer of every sort should be driven from the society of decent men. Service must replace profit as a motive for industry, and desire for power must make way for good will. Given that

spirit, which may be developed at any time, anywhere, on either side of the industrial controversy or among the public itself, we shall have found a way better than the way of courts, better than coercion, the best possible way toward industrial peace.



# Psychological Bases for Increasing Production

By WILLIAM F. OGBURN

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**I**N production there are obviously two parties concerned. The party that is generally classified under the title of capital and the party that is generally classified under the term of labor, management being part of the organization of capital. It is customary in popular discussions to think of production as being largely a matter of labor efficiency; very little concern seems to be given to the part that the organization of capital plays in production. However, one of the obstacles to production lies in the inefficiency in the organization of capital. Indeed, the industrial engineers tell us that capital is efficient to a very small degree indeed. One such engineer is responsible for the statement that in the blast furnaces of the steel and iron industry in the United States "the restriction of output by the employers in 1914 caused a loss in output equivalent to a strike of all the men in the entire industry for about six months during the year."<sup>1</sup> In other words, production may be seen from the side of the organization of capital as well as from the side of labor, and I am sure that there is a story to unravel there which some day will be done and will be very significant for those of us who are interested in production. But I am not an industrial engineer and it is not my problem to develop that field herein.

## LABOR AS A FACTOR IN PRODUCTION

If production is looked at from the point of view of labor, it is seen that

<sup>1</sup>Polakov, W. N., in the *New York World*, January 25, 1920.

labor is certainly responsible for variability in the amount of production. Labor may be responsible in a good many ways; that is to say, production may be slowed up or hindered by strikes. There may be that peculiar custom known as sabotage practiced. There may be a good deal of green labor, there may be a very high labor turn-over. In other words, labor may be responsible in a great many ways for production, and I am not going to attempt to go over all of the points which might be charged up to the responsibility of labor. However, I want to pass in review, rather briefly, several plans or schemes devised for improving the situation. I want to speak somewhat of welfare work, of personnel management, of scientific management and of certain schemes that have been called industrial democracy.

In discussing these subjects I am not looking at them primarily from the point of view of the details of an employment manager or as a captain of industry. There are a great many others who have had better opportunities for that type of observation than I have had. What I am going to try to do is to look at some four or five of these devices from the psychological point of view and see whether the recent development of psychology will contribute anything of significance or value with reference to their possible successful application in the future. Production is certainly partly a psychological matter, and certainly unrest is very largely a psychological matter. It is probable that my conclusions may not be quite as specific-

ally positive as though I had considered them in certain practical detail, but I do think that it is quite possible that psychology may throw a certain amount of light on the subject in general.

#### MAN'S PSYCHOLOGICAL EQUIPMENT

In regard to the term psychology, I want to point out in what sense it is here used. Mankind, whether he be an employer or employee, is born into this world with certain equipment. This equipment consists, on the physiological side, of muscles, blood supply, digestive tracks, glands, etc. On the psychological side, the equipment of man consists of certain nervous organizations with which are correlated certain tendencies which are generally grouped into two classes—one to be spoken of as innate capacities, and the other, rather more generally as drives. These drives have been customarily referred to by the psychologists as instincts. These special capacities, the first class mentioned, are illustrated very well, perhaps, by an aptitude towards musical ability or an aptitude towards mechanics, or an aptitude towards language or mathematics, whereas the drives are much more likely to be associated with the emotions, like anger, fear, love, hate. They are expressed as general desires to migrate, to be sociable, to accumulate or acquire things, to assert one's self, etc.

If man were thought of in this light, from the point of view of his equipment, it is seen that his equipment is one which seems to eminently qualify him for what might be called the life of a hunter, the life which we understand man to have lived for some several hundred thousand years. Man today, however, is not living the life of a hunter, but rather he is living a life in modern cities, in civilization, and

particularly in that part of civilization which we call the factories.

#### MAN'S EQUIPMENT AND FACTORY WORK

In factory life the thing that is rather impressive, from the point of view of man's equipment, is that a factory only uses a part of this equipment; that is to say, in a factory if it is a man's function to take in his hand a knife and make a hole in an object passing by on a pulley, or if it is his function to observe with his eye a certain dent in some object, or if it is his function with his touch to feel the roughness of a surface, it seems as though in factory life that industry, as it were, plucks out from that marvelous and varied equipment of an individual his eye, his touch, his arm or leg, and uses just such of the equipment as it needs for its specific purpose.

Just as industry singles out for its use a specific muscle, in very much the same way industry plucks out of this instinctive equipment and of these innate capacities only such aptitudes as it needs to use for the particular mechanical process. If a workman pursues a life of this sort in a factory for a good many hours during the day and pretty constantly during the year, there is very little time for any use of the other parts and features of this mechanism, and I ask, is all well with the over-centralization of activity on some parts of this equipment and lack of use of other parts of the equipment? So far as I can gather from psychology the answer is that the condition is quite unsatisfactory, that ill health sets in because of a lack of an all around use of this equipment on the muscular side, and something like a mental strain and nervousness and tendency toward insanity results from this peculiar singling out only of the particular psychical factors for use.

### WELFARE WORK

With this as a brief concept of psychological background underlying the worker and his industry, we might take up for consideration some of these schemes, of industrial adjustment mentioned in the opening paragraphs. I shall consider the idea of welfare work with the object of inquiring to what extent the welfare work holds a clue to the solution of the problem of production and of the problem of industrial unrest. In so far as welfare work provides activity for other parts of man's mechanism that are not used in the factory, to that extent does welfare work promote a healthful condition, because if a part of this mechanism is not used the result is a strain, which in most features of the equipment leads specifically to unrest. Practically, welfare work really concerns the physiological and health aspects within an industry, sometimes certain aspects of home life, and occasionally it concerns itself with the recreation. But if welfare work be conceived theoretically as covering a field providing such hygienic activity for this equipment which is unused, all of it that is unused, welfare work would certainly do a very wonderful thing for industry.

Moreover, I should think on theoretical grounds that welfare work, conceived in this very broad fashion, would go a long way toward eliminating a great deal of industrial unrest, and in so far as I have seen or read of plants where a very extensive plan of welfare work is carried on, it tends to a certain extent to achieve this result. Of course, the great difficulty in putting into force any such extensive plan as this would be the question of cost, if thought of from the employer's point of view, because welfare work is supposed to be an eminently practical proposition and we put on only so much of it and we apply it only in such specific ways as will yield a return on the investment.

A great many employers are loath to develop the thing much further because of its added cost. It is true that a man like Lord Leverhume, for instance, would say that very extensive types of welfare work would pay on account of results which would be achieved, but if you ask yourself in detail just what the welfare work would be if thus carried out, you see that it would take you into a great many other fields which are called by other names than welfare work, as for instance, personnel management, profit sharing, industrial democracy, etc.

Of course, the idea of personnel management, as well as that of profit sharing and industrial democracy, is really part of this broader theoretical picture of welfare work I have delineated. No doubt personnel work pays, of course, but I doubt if welfare work ever extended into such general fields as to wholly meet the problem as I have laid out theoretically; but to the extent that it does extend its activities, to that extent does it tend to certainly allay the unrest. As to whether that will increase production or not, I question very much, because I think this original equipment of man was certainly never laid out for the sort of production which modern industry puts on the worker, particularly the monotonous sort, but in so far as industrial unrest is a cause of shortage of production, I think on psychological grounds welfare work might be expected to be partly satisfactory, measured by the extent to which it goes, but not necessarily specifically adding to and increasing production.

### SCIENTIFIC MANAGEMENT

We have had considerable discussion at times of a device known as scientific management, and if you will turn back the time-table a few years you will see with what hope business

looked forward to scientific management as a cure of the production and unrest issues. But, as worked out in the studies which I have seen, scientific management rather tends to work the other way from the psychological point of view, because too often scientific management concerns itself with making a man a sort of a machine. It is true that scientific management does allow certain rest periods at proper times, and in so far as the fatigue element goes it is, no doubt, quite satisfactory. As practically applied it is not fitted to this instinctive and physiological equipment which man has, but is rather calculated to work in the opposite direction, namely, to make man a still greater machine, and I think that is the reason why scientific management has not met with better success than it has, because they have not considered this broad, physiological background which ought to be the basis of any true scientific management.

#### CREATIVE IMPULSE IN INDUSTRY

There are two interesting suggestions found in recent literature, which are concerned specifically with increasing production. One of these schemes centers around the problem of what is called the creative impulse or sometimes the instinct of workmanship. It is known that man is born into the world with a tendency to manipulate objects, which some psychologists have called the instinct of construction, and, of course, it is quite well known that mankind takes a certain interest in his work. Some students and writers have thought that the worker has the instinctive equipment, the instinct to construct, which ought to work itself out into a marked production. Considerations of this sort are found in recent literature. I know of one man, for instance, who has made the claim that he can make any type of labor interesting.

Another author has written a book on the subject of the creative impulse in industry, claiming that by instituting a proper system of education this creative impulse can be developed. Others have written on the subject of instinctive workmanship. Of course, from the employer's point of view this would be an extremely attractive thing. You see if you could merely get a person sufficiently interested in his work by playing on this instinct, so that he would not be concerned or care about such things as pay but would be chiefly interested in giving outlet to this instinct of construction in increased production, it would be very pleasing to those drawing dividends. But a closer inquiry into the nature of this instinct is disillusioning. It is really more like a psychological aptitude, like a tendency toward music or a gift in the direction of art, or something of that kind, rather than like one of the stronger drives or instincts. There are unquestionably some individuals who have such an aptitude and who are willing to work on this aptitude with very little regard for wages or very little regard for other features that make for a normal life.

This particular aptitude never works very well unless associated with one of the drives which I call an instinct. To put it in simpler terms, finding an interest in your work means not only a joy in the technique as such, but putting yourself into your work as well. Putting yourself into your work brings up another psychological concept, the concept of self. We tend to identify our work sometimes with ourselves. You can understand how a poet might put himself into his poem, or how an artist might put himself into his picture; that is to say, a particular type of work mirrors, or is your personality. If you accept this conception, the instinct of workmanship and the creative impulse become a very



much broader thing from the psychological point of view. It is tied up with the drive of ambition and self. It tends to be merged with what we call morale, or loyalty, because one's concept of self involves not only possible loyalty to organization, identifying one's self with one's plant, but centers around the *esprit de corps* as well.

#### SCHEMES OF INDUSTRIAL DEMOCRACY

This idea brings me to the last point which I want to make, and that is that productivity can be developed quite well and on psychological ground, by so working out industrial conditions that the worker will project himself, his psychological self, into the work. When this is done the creative impulse or the instinct of workmanship is merged with the concept of self, the concept of self being expressed as a loyalty to the industry. This analysis, when applied, really comes very close to being the sort of thing which we speak of as industrial democracy. Workmen are much more likely to identify themselves with their task if they in a way have a certain share and responsibility in the control and management. It is to my mind a question whether we can develop any such scheme of the instinctive workmanship in any other way than by making it possible for the worker to identify himself in this broad way with the type of work. I should, therefore, certainly look forward to seeing schemes of industrial democracy, shop committees or plans where the workers take an integral part in the industry as being extremely effective. On the psychological ground, of course, the only point that is of special theoretical interest right here is the practical question as to what extent certain ideas and concepts, which are nowadays prevalent, tend to hinder or block any such identification of self with the task in hand. In other words, to what extent

are the workers aware of what you might call class struggle or class interest; to what extent, for instance, are workers familiar with profiteering, with the making of excess profits, with exploitation of labor and with the general technique of class struggle?

The workers realize the unequal distribution of wealth, something of profiteering, and they are becoming quite a bit educated in this general concept of industrial democracy, and to the extent that they have this general idea of class struggle, these schemes of industrial democracy are really illusory. I mean to say that knowledge and education are making workers sophisticated and skeptical, and their loyalty cannot be held for very long except by very genuine plans. Knowledge of how profits are made and to whom they go make it more difficult to hold his loyalty.

Industrial democratic schemes would seem to me to work probably for a short time and it is quite conceivable that workers' loyalty and the workers' interest can be secured. The real question is how long these schemes are going to last. I should guess that productivity will in the course of a few years really center more and more around the control of industry by workers. Considerable betterment can be expected, but hardly a static Utopian condition to arise out of the psychological background of the workman. In other words, this psychological background I have set forth really implies that capital and labor must go on through an evolutionary period. I would be very much inclined to question whether any of these schemes now outlined are completely satisfactory. They will be more satisfactory on the psychological basis to the extent that they work out industrial control and will fall short to the extent that they fall short of genuine democratic industrial control.

## The Human Element in the Machine Process

By CORNELIA S. PARKER

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**P**ERHAPS the most underlying obstacle in the way of maximum production is psychological—the reaction of the worker to his job, and by that I do not mean the worker in the narrow sense of the word or the job in the narrow sense of the word, but the reaction of the human element to modern work, and that takes in all classes of labor and all kinds of work. Before we can proceed with this subject it is very important to get a perspective of the situation.

Conservative estimates put the length of mankind on earth at about 500,000 years. Probably, as far as we know, it took mankind about 350,000 years to learn to sharpen a piece of flint on one side and produce the first knife. It was not until 75,000 years ago that man captured fire for his own, and it was not until ten to twenty thousand years ago that Neolithic man entered Europe and we had a manner of life on earth that in any way approximates life as we know it today—the rudiments of agriculture, the first domestication of animals, the first settled habitations. Psychologists and students of human nature tell us that we are Neolithic men—in other words, that human nature, the psychology of man, has practically not changed at all in these ten to twenty thousand years.

### INDUSTRIAL SYSTEMS

To make that a little more vivid, one should plot it. If you take a line about thirty-three inches long as 500,000 years, the last ten to twenty thousand years is a little distance of about one inch; in other words, in a

period thirty-three inches long compared to a period one inch long, human environment changed practically not at all. If we take that last ten to twenty thousand years what have we in that length of time? We have, first, as far as the labor is concerned, the domestic system, the production within the group for the group. Then we have the early wage work where the worker received the raw material from the consumer, finished the article and sold it to the consumer, receiving a wage. Then the handicraft system, where the worker furnished the raw material and sold the completed article directly to the consumer. Next we pass into the commission system, when the middleman makes his appearance but where the worker still works in his own home, receiving the raw material from the middleman and a wage for the finished article from the middleman. Over night we come into the factory system, machine production, and to show the small length of time in which we have been under the machine production it is necessary to take a line the same length as your 500,000 years, about thirty-three inches, and call it ten to twenty thousand years, and then your factory system is again a short space of about three inches at one end.

If it is true, as Veblen says, that the state of the industrial arts determines the life or the culture of a people, then we can see over the great length of time that man has been in the world; his life and his culture have changed practically not at all. In the years from 1760 to 1800 the life of the rank

and file changed more than in the previous 500,000 years put together. Up to that time man puttered away at his own job pretty much in his own way and saw his own job through. All along the connection of the producer to the consumer was very direct. What situation is ushered in over night? Away at one end production begins and away at the other end consumption begins, and lost in between in the infinite division of labor that the machine process introduced is the worker, with the clank and roar of machinery in his ears and a pay envelope at a window at the end of the week, the discipline of long hours, of low wages and of a huge impersonal system over him. Much of this is true today in the industrial situation. All of it is so recent that it is a very vital background of the labor movement today. There are adults in the labor movement who have not gone through the unfortunate process which the industrial revolution introduced. Few negroes of today have been through slavery, yet slavery is very fresh in the minds of our black population. Just so the highly unfortunate experience of labor during the earlier years of the industrial revolution is fresh in the memory of labor in 1920. The unrest of today, the industrial unrest, is caused not by the high cost of living, nor is it caused by war. It is merely the accumulation of the mistakes of 150 years of domination of the human element by the machine. The history of the industrial revolution is the history of the human element trying to free itself from that domination.

#### STATE OF INDUSTRIAL ARTS

We must bear in mind another phase. The state of the industrial arts determines the life of a people. Since 1760 that life has changed faster than in the 500,000 years before. Inventions can do that. Arkwright,

Crompton and Watt were able to alter the life of the rank and file over night. But no invention has yet been found which can alter public opinion, which can change the public conscience, at anything like that quick rate. The state of the industrial arts got an enormous head start, in the first place. If it had stopped right there, say—about 1800, it might be that public opinion by now would have caught up with the situation. As it is the speed of life today, the rate of change proceeds in a continually accelerated degree. With infinite effort and infinite pains and much education, perhaps, public opinion can be brought to face a certain situation in a certain way. But by the time public opinion has reached that point, that situation is no longer there—it has moved away and on, and then all the painstaking effort and education must begin all over again; public opinion never does catch up with our industrial problems. Is it any wonder then, that at times the radical—and by radical I mean the individual who recognizes that change, that dynamics is the order of the universe today—grows a little out of patience with the conservative? By conservative I mean that type of individual who insists upon considering the environment today as static.

Machine technique has forced industrial life at such a pace that there seems no possibility of public opinion ever keeping up with it under our present educational systems. One of the agencies making for the disturbance and the unrest today is the wide discrepancy between the effect of industrial life on the individual and the fact that the public conscience, public opinion, lags so far behind in its methods of adjustment in human relationships. Of course, your conservative would argue that if the change could be made with sufficient speed to

suit the radical, perhaps more harm would be done than under the present situation. There could be no answer given to that, because public opinion never has changed with the speed to satisfy radicals. I am not referring to such a thing as war hysteria which seems to be able to change public opinion quickly, but that sort of an opinion relapses quickly—I mean the actual education of the public conscience. When you consider the size of the public today, the size of the people coming within the machine process, no matter at what extreme—employer, management or employee—when you consider the size of that body, you can realize the inability of the opinion of that body ever catching up with the speed of the industrial system as made possible by the machine technique of today.

What else are we paying for besides the mistake of the industrial revolution in neglecting the human element? We are all paying, no matter what our position in the system, the price of the speed and tension that inventions, that the machine process forces on the life of the great majority. We cannot cast aside the machine process. We cannot do away with big business. Production has to be carried on on a large scale to furnish the wants of people as they exist today. It simply means we must not intensify the dangers of the situation by any more mistakes than are possible along the way.

#### HUMAN ELEMENT IN INDUSTRY

What of the human element itself? Under the machine process for the last 150 years the human element has had practically no chance for self-expression. The creative effort, the instinct of leadership, the instinct of following a fit leader, the instinct of possession, the homing instinct, the parental instinct, the sex instinct, almost every

instinct you could mention has had either no expression, from the point of view of labor, under the industrial system, or too slight expression to have a normal psychological life result. From that point of view again the unrest of today represents a culmination of 150 years of repressed instinct expression, of a lack of opportunity for the great part of the population to lead a wholesome, normal life.

A man once told a little story of lending a dollar to an I. W. W. When a year later the I. W. W. paid the dollar back, the man asked the young fellow, "What would you like most in life if you could have what you wanted?"

The fellow replied, "I would like to be able to keep clean and I would like to have a girl."

Now, neither of those desires are very reprehensible. The perpetuity of the race depends upon at least one of them, and it is just because such fundamental impulses and instincts as those two have not found expression over 150 years that we have the unrest of today.

What has been the result of the fact that industry itself has not given the human element enough of a chance to express itself for normality to be the result? It means that labor has been forced to throw its energies into the class movement, the labor movement. To the employer the labor movement has been actually inimical to industry. At times it has flourished almost entirely at the expense of industry. It is no one's fault that that has been the development of the labor movement. It is the growth forced on the labor movement by the situation itself. Labor had to find some outlet for these absolutely essential instinct expressions. It could not find them in industry. Most of the laborer's life was spent in industry. He had no chance, no time for self-expression in some



phase of life entirely apart from industry. The movement of organized labor, in whatever form or whatever faction, offered labor a chance for these instinct expressions that were denied in industry, in politics, in education, even, indeed, in religion. All the best things that can be said about the labor movement center around the spiritual side of it. It was an outlet, and if we had not had this outlet, the revolt and unrest of today would be far more bitter and far more wide-spread than it is. But do we wish to continue with this emphasis on a class movement, or do we wish to allow labor to play such a part in industry that this instinct expression will have a chance to function in industry. This must take place or we will always have industrial unrest and when it takes place the entire community will be benefited instead of it being merely a class movement. In other words, labor must be allowed to feel that industry is his to the extent that in industry he can find greater self-expression.

There is in this volume much discussion as to the various schemes for allowing labor more responsibility in the job. I am not going into the details of those schemes. It is not such a new thing as some employers would have you believe; it is already being tried in many industries. The main thing is to sell the idea to the public, to sell the idea to the employers, so that it will become familiar and what manifestations labor makes toward acquiring greater responsibility in industry will not be fought as persistently as almost every demand labor has made in the last one hundred and fifty years has been fought. When it comes right down to a particular plan through which labor is going to feel an added responsibility in the job, any plan as such does not count for much one way or the other. The important thing is, what is in the

employer's heart? When he puts a plan in does he put it in as a sop to labor, as a "welfare," scheme, or does he put it in with an underlying sense of the justice of the situation and a realization of the fact that the labor movement has come to the point today where, through better wages and through better conditions, it has reached that degree of self-regard that demands a still further development of its initiative and of its control.

#### HANDICAPS IN INDUSTRY

If you should give labor its complete share in industry—and labor and the students of this problem tell you quite frankly that labor by and large is not ready today for equal responsibility, that it will take, perhaps, several generations before that can come about—the thing is that it must be given the chance whenever the chance presents itself. But suppose that labor were in possession of full responsibility, complete copartnership with management, with the employer, would we have the millennium, would we have an industrial Utopia? No! At that point comes in the large part that in the future must be played by the field of mental hygiene.

Today there is just cause for much of the revolt, for much of the uneasiness, for much of the unrest in the industrial field. We would not be human beings fit working for if there were not revolt and unrest over many of the conditions of today. However, your mental hygienist, your psychopathologist, knows that there is much unrest that is purely a psychopathical problem, and with conditions almost perfect there would still be individuals who were not satisfied, there would still be individuals who could not "fit in," there would still be individuals with grouches, there would still be individuals who could not get

along with others. You would never think of employing a hunch-back in the coal mines or steel industry or as a stevedore. Just so must the public come to realize that there are individuals with as great a mental handicap toward their job as the physical handicap of the hunch-back toward his job, and that mental handicap must be taken care of as much as the physical handicap must be taken care of before we can have the highest efficiency in industry.

The mental hygiene movement is young, and it is, on the whole, a personal relationship that has to be established between the mental healer and the patient, and it is going to be a long process and a slow process before that line of treatment can be put over in industry. At first the struggle is more in the larger field. The struggle is to get away with the large handicap of the machine domination of the individual. By the time that is removed, then your mental hygiene movement is ready to step in and deal with the individual case, the individual discontent, the individual who cannot get along with his fellow beings, not because they are treating him in such a way that no normal human could get along under the circumstances, but because there is a kink some place in his mind that must be smoothed out by technical treatment.

#### DIVORCE OF THOUGHT AND WORK

The last psychological obstacle, and a very great one, that we all pay the price for is the fact that life today puts too great a strain and tension on all of us for thought. The speed of modern life is such that people cannot stop and do not stop to take thought of the industrial situation, as thought must be taken if we are going to find any solution for unrest. The men in industry themselves, no matter whether

they be laborers or employers, are all under too much tension, are all working under too much speed to stop and put their minds on this situation as must be done sooner or later, and what has been the result? On the whole, the result has been that the constructive thinking done in this field, or attempts at constructive thinking, have been done by your professional thinker, and by that I mean your university professor. Here again, he is working under such tension today that he has not the chance to have the contact with the industrial problem, the practical contact that is needed to continually shape his theories to a useful end.

We all pay the price of that divorce of thought and work, and as I see it that is one of the great obstacles to a speedier industrial reconstruction. Your employer and your worker are forced to snap, quick judgments because they cannot take stock of the situation, and your theorist off in his little corner is worked to death under the present university system, so that he, in turn, must merely theorize and cannot get out and have practical contact that is so needed.

#### NECESSITY FOR ADULT EDUCATION

We are apt to talk a great deal about the education of the working class. The working class needs education. It knows it needs education, but there is not a class in the country which does not need education. There is not a human being in the United States today that would not be a little better off for knowing a little more.

As I see it, one of the big constructive steps to take today is the linking of adult education and industry. There is a school in New York that is trying to do that very thing—the New School for Social Research. When such a school is established in every city of the country, a long, forward step will

have been taken—a school with late afternoon classes, with evening classes, with the sort of work that will draw people from the manufacturing industries, employers, professional men, newspaper writers, no matter what their walk in life is, or if they are just pure theorists, all can go to school and link up their work during the day with the intellectual side of life. Moreover, by having that type of student the professor is constantly in contact with the practical workings of the situation and he is in a better position to give a sound theoretical contribution in return. That is a system of education

which should be established all over the country, not necessarily a class movement, not necessarily labor class education, but the sort of education that has an eye, a vision for the future, which creates small, permanent industrial councils in every city of the United States, where around a research table sit employers and workers and professional men threshing out together these problems of industry that no one set can solve alone—that must be solved with the combined brains of every walk of life in the nation, if we are going to search for a solution that is to be widespread and lasting.

## Labor and Production

By W. JETT LAUCK

Formerly Secretary of War Labor Board

**B**EFORE the outbreak of the World War there was, and because of stimulated immigration there had been for some years, a surplus labor supply for our basic industries. At the present time there is a shortage of labor. The determining factor as to stability and acceleration of production has, therefore, been reversed. The efficiency of capital and management were the controlling forces before the war. The primary problem to be considered in any future program for industry now centers about the effectiveness of labor.

### DIFFICULTY OF PRESENT INDUSTRIAL AND POLITICAL PROBLEMS

It may be stated without any attempt at sensationalism and without danger of contradiction, that our country is facing today the most complex, dangerous and difficult situation which it has been confronted with since the close of the Civil War. The old order has passed. A new era is before us. In our political and civil life as well as in both business and in industry, we cannot return to the old pre-war conditions, even if we so desired. We have no alternative but on the one hand to hold fast to that which was good in the past, and on the other hand to reach out and grasp the good which has come from the war, and welding the two together to press forward to the readjustment of our political, social and economic conditions.

In standing today on the narrow strait which divides the past from the future, we must, like the Roman god

Janus, look backward, but at the same time we must look forward.

The present is no time and there is no occasion for revolutionary action or for untried experiments in government and in industry. This is a time, however, for careful analysis and painstaking consideration of the fundamental aspirations, the underlying principles and the far-reaching ideals, of our democracy, or, in other words, of the self-governing republic which has come down to us through the generations. It is the time to take stock of ourselves, and wherever necessary to readjust the conditions of political and industrial life of the present day in the light of the principles and aspirations of the forefathers. If we will take the time to do this, we shall proceed with wisdom. We shall then have a progressive, safe and certain mode of procedure for the future. If we do not do this, we shall invite disaster. We shall intensify existing untoward conditions for which our children shall have to suffer, and for which they shall be pressed to find a remedy.

### EXISTING MENACE OF LIVING CONDITIONS

The greatest menace with which the country is confronted today, not only industrially but politically and socially as well, arises from the pressure of living costs on the great mass of wage earners in the basic industries. This condition of affairs intensifies the more fundamental causes of industrial unrest and the consequent dislocations in industry and recurrent stoppage of



work or breaks in the continuity of production. Unless living conditions are ameliorated, widespread industrial conflict may result before proper and safe action can be taken which will afford a basis of procedure for stabilizing industry, accelerating production and guaranteeing industrial peace. The really great danger to the public under present conditions is the extreme attitude, on the one hand, of certain backward employers and legislators who are still evidently doing their thinking on a pre-war basis, and, on the other hand, the extreme agitation of certain labor leaders who are trying to disrupt existing labor organizations and to take away the control of labor from liberal but sane leaders.

#### SIGNIFICANCE OF PROFITEERING

The abnormal conditions created by the war, as were to be expected, greatly increased prices or the cost of living. The withdrawing of men from industrial and agricultural activities to armed conflict, the diversion of industrial facilities to the manufacture of munitions and war essentials, the destruction of capital and commodities and the restriction upon agriculture in the zones of conflict, or, in other words, destruction, restricted production and unproductive consumption, reduced pre-existing stocks of goods and made additional accumulations more difficult, thus bringing about an excess of demand for commodities over the supply available. The net result was scarcity values and constant rises in prices during and since the war. This situation has been further affected by the war-time inflation in money and credit and in the deterioration of our transportation facilities from the great stress which four years of war operation had put on the railroads.

These have been the underlying, the real determining and unavoidable

causes of higher prices for all classes of commodities. While they would have been followed by distress and some elements of unrest among industrial workers, they would undoubtedly, other things being equal, more or less philosophically have been accepted as one of the fortunes of war, and the attempt made to overcome them by productive effort. In the meantime, however, it has been discovered that producers, speculators and distributors have seized upon the scarcity or abnormal conditions which prevailed during the war, and which came out of the war, to exact exorbitant prices and to obtain indefensible and dishonorable profits. Although the exaction of illegitimate profits, or, to use the more common phrase, "profiteering," has not been a basic but a secondary cause of high prices, it has developed a condition of affairs fraught with the greatest significance, for the reason that it is apparent that profiteering must be eliminated before there can be any hope of getting the productive factors in industry together in a coöperative way. This is an essential condition to the acceleration of production or to a return to normal production and normal price conditions.

#### THE CONDITION TO INCREASED PRODUCTIVITY OF LABOR

So long as profiteering exists labor cannot be induced to increase its output. Contrary to the general impression, the economic status of labor in our basic industries was impaired by the war. With some few exceptions, wage rates failed to keep pace with the advances in the cost of living. Where rates of pay were actually raised to the point of increased prices, as in the iron and steel industry, it meant merely the perpetuation of entirely inadequate standards of living which prevailed before the war. As a rule,

however, the deplorable earnings or standards of living of the great mass of industrial workers before the war were not maintained during the war. With the termination of hostilities all government control of industry was abandoned and the hope, which had been based on the obligation of the government to adjust conditions, disappeared. The wage earner was left to shift for himself. Employees in many basic industries undoubtedly felt deeply this situation, and the post-war discontent and lack of coöperation was thus started.

This situation was soon intensified by a still more disturbing influence. Every attempt since the armistice on the part of industrial workers to improve their unfortunate status was met with the claim that to advance rates of pay would be equivalent to increasing prices, and starting another step in the so-called "vicious circle of the increasing cost of living." This soon developed into a distinct propaganda and misrepresentation of labor. The public thoughtlessly gave this propaganda its sanction. Industrial unrest and agitation was further intensified. Wage earners, as a class, felt that aspersions were being cast upon their character and patriotism during the war. They also became very sensitive to the fact that all classes of profiteers were pointing to labor as being responsible for the disgraceful robbery of the public.

#### *Mining and Railroad Strikes*

Caught in this way between the upper and the lower millstones, so to speak, their endurance reached the breaking point. Wages continued to fall further behind skyrocketing prices. Men refused to continue work in certain industries as on the railroads and in the mines. The bituminous coal miners' strike was a reflection of

these conditions. The recent country-wide railroad strike was a voluntary expression of this attitude by many classes of employees. Men with long years of service and accompanying seniority and other rights suddenly, against the protest of Brotherhood and Union leaders, stopped work or left the railroads, to enter other industries. The inadequacies of railway wages are now the fundamental cause of restricted transportation facilities. The same conditions prevail in some of our other industries. Unless they are corrected no one can tell what the result may be. Under-paid men are a menace from a social and political as well as an industrial standpoint. Under these conditions, in brief, it has become evident that if conservative and enlightened leadership in the labor movement is to continue, industrial workers must not only secure financial relief, but labor also must be freed from the charge of profiteering which had been dishonorably placed upon it. By the same analysis, it is equally and perhaps more significantly true that the production of which we are in such grievous need cannot be secured until labor is assured that its increased productive efficiency will not be absorbed by profiteers. If labor can be shown that increased production will be followed by lower prices, or in other words, greater real wages, one of the greatest obstacles to maximum production will have been eliminated.

#### *Waste and Extravagance*

In addition to the impairment of industrial morale, probably the next greatest contributing factor to the untoward economic conditions which have followed the war is the widespread waste and extravagance among all classes of the people. Its elimination is obviously necessary to our

economic regeneration. It has been caused primarily by improper concentration and accumulation of wealth since the beginning of the war, and had its origin and derives its primary impetus at present in the lavish expenditures of war-made and post-war-made millionaires. Their example has been contagious. Those who should have known better have set the example. It has spread to all classes of the population. Extravagance and waste among or excessive demands by industrial workers cannot be checked so long as profiteering producers and distributors are lavishly dissipating the wealth which they illegitimately obtained during the travail and grief of our people.

A necessary preliminary, therefore, to all other measures—as a matter of fact, the first step in the process of reconstruction and stability and acceleration of production—is the stopping of profiteering. There can be no permanent hope or program until profiteering is eliminated. Because of the pressure of the high cost of living, the profiteer has not only become an obstacle to the resumption of normal industrial activities but an actual industrial and social menace as well.

#### NEED FOR COÖPERATION BETWEEN EMPLOYERS AND EMPLOYEES

With the allaying of discontent arising from profiteering and unjustifiable prices, a more fundamental evil must also be rectified before there can be any satisfactory degree of stabilization and continuity in production. The fact cannot be missed that industry is in the same position that our failure to accept the Treaty of Peace has forced upon the nations of the world. *There is no accepted basis of procedure.* Employers and employees, as a whole, are actually or potentially at war with each other. The condi-

tions affecting one principle effective to productive coöperation need only be mentioned in order to illustrate the present impossible situation—the principle of organization and representation of industrial employees. The union labor movement demands recognition as a preliminary to coöperation. A large group of employers are attempting to evade union recognition by the formation of shop committees and the application of various local schemes of employees' representation. Another large body of employers wish to maintain an industrial autocracy without recognition to their employees on any terms. And thus the conflict and friction extends throughout the whole range of industrial relations and conditions. Under these conditions, if industry is not headed for disaster, thoughtful students at least cannot see any earnest of successful productive effort in the future.

Shortly after the signing of the armistice, industrial conferences were assembled under the auspices of the governments of Great Britain and the Dominion of Canada, and certain underlying principles relative to industrial relations were accepted by labor and capital as a basis of industrial procedure. A similar effort was made in this country, but without success. It was found impossible to secure an agreement between employers and employees. It then became evident that whatever action was taken would have to come from the public, and in accordance with this conclusion, a second conference was called last winter by President Wilson, composed entirely of eminent representatives of the public. The report of this body has been made, embodying certain principles which they have sanctioned as essential to industrial progress, economic justice and the public welfare. The conference has also recommended

machinery for the adjustment of industrial disputes. Senator Kenyon, chairman of the Senate Committee on Education and Labor, has also introduced a joint-resolution providing for the establishment of joint-boards for the adjustment of industrial controversies together with regulatory principles or a code which shall be mandatory upon these boards in reaching their decisions. The Senate Committee is now holding hearings and considering both Senator Kenyon's plan of procedure and the Report of the President's Second Industrial Conference.

#### NECESSITY FOR AN INDUSTRIAL CODE

The permanent hope for the future, not only to those directly engaged in industry, but also to all other classes of our people, lies in wise, constructive, industrial statesmanship and action by the Congress along the lines which have already been placed before Senator Kenyon's Committee. Increased production has become a national necessity, if we are to maintain American standards of living, pay the vast debt incurred as the result of the war, insure our domestic tranquility and discharge our international obligations. Obviously, we cannot hope to restore a normal production, to say nothing of attaining maximum production, so long as there is constant irritation and friction, with frequent economically disastrous conflicts between capital and labor. To promote and to preserve industrial peace, therefore, to insure equal and exact justice to both elements in industry and to safeguard the public interests as well, the Congress of the United States should enact at once an industrial code wherein there shall be defined and promulgated the fundamental principles which shall govern the relations of capital and labor with respect to:

1. The right of both labor and capital to organize;
2. The right of labor to a living wage;
3. The right of capital to a fair return;
4. The right of collective bargaining;
5. The right of labor to a voice in the control of industry;
6. The requiring of both labor and capital to fulfill their contractual obligations;
7. The hours of labor;
8. The rights and relations of women in industry;
9. The right of the public to be protected against economic disturbances, threatening the general welfare, which result from disagreements and conflicts between capital and labor.

Such an industrial code, together with the creation of the machinery necessary for the determination and adjustment of industrial disputes upon the basis and by the application of the principles enunciated in the code, will go far toward stabilizing industry in all lines.

Its enactment can be brought about only through a compromise of the selfish demands and contentions of both capital and labor, and that compromise must be affected on the basis that the public interest overshadows any group interest. Opposition to such legislation may be expected from both elements in industry, and this opposition will probably be predicated on the theory that we should have the least possible governmental interference with business and industry. The plan contained in the Court of Industrial Relations, as passed recently, by the Kansas legislature is unacceptable because it forces compulsory



adjustments without any safeguards to capital and labor. The labor provisions of the Esch-Cummings bill relative to railroad disputes furnishes a more acceptable precedent, because they afford a more or less imperfect code or standard for the voluntary adjudication of controversies by a specified mode of procedure. A more comprehensive underlying set of principles or standards, together with a series of joint industrial boards, culminating in a national labor board for the interpretation and application of the fundamental law, the code, or the industrial bill of rights—by whatever term it may be called—is essential to an orderly and reconstructed industry. Without such action, there can be but small hope for industrial stability, continuity, or the productiveness which is so greatly needed.

#### NEW CONCEPTION OF INDUSTRY

Thoughtful men will undoubtedly agree that the sentiment of this country and of the world is for progress along the lines suggested. Not the least beneficial result of the world war has been the exploding of a number of age-old aphorisms. One such exploded aphorism is that one to the effect that the best form of government is that which governs least—the Gibraltar of the advocates of the doctrine of *laissez-faire*. The phenomena of profiteering alone demonstrate the danger of letting the individual alone—giving him a free hand—for we have seen that too

often it makes a freebooter of him; and there is no place in orderly society for freebooters.

Such a general program as has been outlined would not only reduce prices and profiteering, and bring about relief from the high cost of living, but would also be in accord with the attitude of the general mass of the people toward business and industry which has been a distinct outgrowth of the war. There can be no doubt that a new conception of industry has been formed by labor and by a large part of the general public. Prior to the war, industry was being conducted primarily for profit, the theory being that by competition and by the free play of economic forces, the greatest advantage to the greatest number—labor, capital and the public—would be accomplished. On the other hand, during and since the war, the idea has been gaining ground and growing in force and acceptance, that in reality industry is a social institution. In its most conservative form this idea finds expression in the claim that industry should not be conducted in a spirit of relentless, economic, self-interest for profit, but while the stimulus of profit should be retained and the fundamental rights of labor and capital should be protected and conserved, industrial promotion, expansion and operation should also be a social service and subordinated at least to democratic ideals and institutions, and to the general welfare of the people.

## Labor Conditions as Viewed by a Manufacturer

By A. B. FARQUHAR, LL.D.

A. B. Farquhar Co., Ltd., York, Pa.

THE world war has upset much of the previous existing well-oiled economic machinery, and it has been creaking and groaning and jolting along ever since, at times coming dangerously near to breaking down altogether. The most delicate part of the complex economic machine, that of the human relation in industry, having become disrupted, is receiving the attention of many thinkers, some of whom, not having had practical experience, advance theories which look very well on superficial view, but when put to the test of actual experience are found to be not, at present, workable in practice.

It was Aristotle who said it is safe to follow no theory that is not buttressed by practice. While theoretical discussion has great value, industrial relations, questions pertaining to capital and labor, particularly to the attitude of workmen, can best be solved, it seems to me, by those who have united practice with science in forming conclusions.

Collective bargaining is one of the theories which sound well, but in practice it means that men who know nothing of your business, have no intimate personal touch with your workmen, come in and dictate as to the management of that business; in practice it makes it impossible for the management to employ good and efficient workmen who are needed unless those workmen are members of or join the particular union controlling that shop; in practice it means that the Fosters and Fitzpatricks, men in whose judgment and good intentions

no intelligent person can for a moment have faith, seek to put what amounts to a throttle upon industry, for the ostensible benefit of the working men, but in reality, in the majority of cases, for their own ulterior and destructive ends. Judge Gary performed a very real service for America in taking a firm stand against the aggression of bolshevistic, anarchistic and I. W. W. outsiders.

### ADVANTAGES AND DANGER OF UNIONS

Again, we might also pertinently inquire how a bargain can be made when the one side has neither legal nor moral responsibility, wants none, and only too often repudiates contracts when made. I have no quarrel with the unions. The right to organize for mutual protection and benefit is not questioned; neither is there any question but that through the instrumentality of unionism the workers have secured for themselves desirable and beneficial reforms which otherwise might not have come, or come only after long delay, having been grudgingly conceded under the pressure of public opinion by autocratic and unprogressive employers. Unionism's danger, however, is that of becoming autocratic itself. One of its principal objects appears to be, in all too many cases, that of getting a strangle hold upon an industry in which there is a chance of becoming strongly entrenched, and then putting on the screws. This is evidenced in the desperate effort the unions are making for the closed shop, the result of which is that the employer is tied hand and

foot, has no say as to whom he shall employ or whom discharge—can employ no man, no matter how desirable an addition he may be to the force, or how much needed, unless that man is stamped with the hallmark of the particular union under whose domination and by the grace of whose favor he operates his plant.

On the part of the independent workman to whom unions are distasteful and who prefers to retain his liberty of action, the closed shop operates to shut the door of opportunity in his face, deprives him of his primary and inalienable right to pursue his lawful vocation without interference—a right guaranteed him under the common law.

Take the printing trade as an instance. It is said there are but four newspapers of consequence in the country which are not under control of the typographical union. The editor of one of these independent newspapers recently told on a public platform some startling facts with regard to the tyranny exercised by the typographical union in the plants controlled by them. Shaking his finger at the reporters who were sitting before him, he said, "Newspapers love the sensational. What I say is sufficiently sensational, is it not? But it will not appear in your journals. Your editors will not be permitted to publish it." The absence of any reference to it in their newspapers proved that he was right.

The unions must eventually see that they are on the wrong track, and under the guidance of more enlightened leadership I believe they will eventually become of real benefit to their membership and an important and beneficial part of the social organization. If the domination of extremists is encouraged or permitted, as now in many labor organizations,

they invite disaster, not only to themselves but also to the industrial fabric generally. No happiness or contentment to their followers can grow out of the seeds of envy and hatred which they are industriously striving to instil.

Our working classes here are not only better off than anywhere else in the world, but better off here now than ever before in the history of the world. Notwithstanding the wild career of extravagance throughout the land, which has been termed an industrial dance of death, the deposits of workingmen in savings banks show a large increase. It is estimated that we are losing over a thousand million dollars a year, directly and indirectly, from strikes. A strike is war, it is a wasteful way of settling difficulties, and I would say of a strike what Franklin said of war, there is no such thing as a good strike or a bad compromise. The wage earners are the greatest sufferers by a strike. The manufacturer has a chance to recoup his losses, in part at least, by accumulating orders and making preparations for a resumption of work, but what is lost to the worker is lost forever, and since every stoppage of production tends to increase the cost of living, it entails a double loss by increasing the price of things he buys. Strikes are especially to be deplored now in view of the enormous waste of the war, which can only be made up by economy and increased production.

#### THE WAGE EARNER'S OPPORTUNITY

It has been stated by contributors to this volume that the door of opportunity is shut in the face of the wage earner. There could not be a greater error. His opportunities were never so good in the history of the world as now here in this country. If he is only willing to pay the price of success, which

involves economizing and doing his best, he will find more avenues open than were open to Garfield, Lincoln and many others who achieved world renown. Certainly no one could start life with less apparent chances for success than had Lincoln. He was an exception, you will say. Yes, and there is no use blinking the fact that there are many whose limitations are such as to preclude their ever rising above a humble station. This is no discredit to them, and they are entitled to just and fair treatment always, but under no social arrangement that I can think of as holding out any chance of permanence can it be expected that they should receive the same reward that comes to those of greater native ability who make full use of their talents. The idea seems to be held by many outside of Russia, as well as within that unhappy and distracted country, that somehow the so-called proletariat can be legislated into opulence and ease. Nevertheless, Emerson's dictum remains forever true, that "society is a troop of thinkers, and the best heads take the best places." How could it be otherwise, except under the dictatorship of brutal strength, which eventually must give way to the power of intelligence, as history has so often proved? The long list of names of men in this country, who have risen from humble beginnings to places of prominence and power, is a complete refutation of any such notion as that to which I have referred.

Before engaging in business I worked on my father's farm. I have been a manufacturer for 64 years, and have always been as much or more interested in economics and the theory of business than in business itself. This has afforded me a chance to unite practice with science.

#### RELATIONS BETWEEN LABOR AND CAPITAL

I am persuaded that it is as idle for capital and labor to fight as for the hands to fight the head. Both are absolutely essential, are interdependent, and I believe the working classes as well as the employing class will eventually come to understand this. A great deal depends upon management and personal contact. I could mention a number of examples. One of our foundry employees, a number of years ago when we were working on a large export order taken at a narrow margin, complained that he and some of his companions were not receiving sufficient pay in proportion to the rest. I knew they were getting all we could afford to pay, but referred him to the department heads with instructions to them to investigate the matter thoroughly and impartially and give him the result, after which I told him to come to see me, and if we could afford to pay more we would do it. As he failed to appear, I sent for him. When he came, he said: "I am a good sport. I find you are paying all you can afford to pay, and am afraid if you changed our pay for that job you would have to reduce it." The investigation had proved that we could not afford an advance.

On another occasion, fifteen or twenty years ago when I had practically retired from active management, a large export order which was wanted in a hurry was dragging along, and the superintendent told me it was utterly impossible to get it out in time. I knew the men, and told the superintendent to go off on a vacation, that I would take care of the shop. He went off, and I took charge, going out in the factory and working with the men. They were spurred to renewed effort, largely increased their output, took the greatest interest in



the game of beating time, and enjoyed it as much as I did myself. Needless to say the job was gotten out in the time promised.

There is a great deal in keeping in close contact with the workmen, treating them as fellow workers. They should understand that they are working *with* the employer, not *for* him; that the employer's business is to provide them with work so that he can keep them continuously employed and pay their wages. If they are given a square deal, there will be no difficulty between employer and employed if not interfered with by outsiders.

I am fain to believe that the eventual result of the present unrest and discontent will be a better relation between capital and labor, employer and employed, than has ever been enjoyed before. It has set men to thinking and planning. There are many promising signs, and I believe the true prophet must be an optimist. The shop committee system, I am convinced, is the true plan. It has been established in our plant. Meetings of foremen and managers are held weekly, as well as weekly meetings of an executive committee chosen by the men from amongst their fellows, which meets in connection with the management for the discussion of improvements or complaints and the well-being of employees generally. The system has so far worked admirably. Even with the greatest care and fair dealing, however, a strike is always possible from outside interference.

#### RELATIONS BETWEEN EMPLOYER AND EMPLOYEE

In the relations between employer and employed, that grand old rule, "Do unto others as you would have them do to you" will solve most problems. We need to imbibe the spirit of Americanism as exemplified in the life of that great man, Abraham Lincoln, whom I knew personally. I listened to both his inaugurals, heard his Gettysburg address. He was a superman—one of those men who accomplish a great work, lead the world, take possession of the hearts of mankind—no one seems to know exactly how or why. It would be profitable for us all, and especially for the workers, to study his life and writings. He told me once, "Young man, make it the object of your life to go to bed at night feeling that you have done some good during the day, contributed your mite to helping someone." My reply was, "Mr. President, if I could spell that *m i g h t* it would be an inspiration," to which he rejoined, "What's the difference? Isn't might made up of mites?"

Now the employer has a boundless opportunity to practice this doctrine. Let him get close to his employees, let them understand that he wishes to treat them fairly by endeavoring in all cases to be just and fair in his dealings with them, and I think sooner or later the labor question will be solved. I believe we are now on the road towards solving it.

## How the Fayette R. Plumb Company Gets Production

By JOHN M. WILLIAMS

Fayette R. Plumb Company, Philadelphia

WE believe that one of the reasons for the loss in production is lack of knowledge on the part of factory organizations and we believe that this is due to the lack of coöperation on the part of the executives. Executives, as a general proposition, preach loyalty and coöperation but do not always give it. They usually have a line of demarcation between the executive and the factory organization, and sometimes I wonder whether or not the factory worker is puzzled to know what is on the executive's mind. Whether an action on the part of the executive is for the betterment of or to the detriment of the factory organization, it is usually given in a more or less mandatory manner without any particular attempt to explain why the action was taken. This, to my mind, is the reason for so much suspicion and distrust on the part of the average factory worker. If we were training anyone in the executive organization—from an office boy up—we would feel that it was necessary to explain to him what his duties were; to overlook his many errors and assist him in every way possible. When it comes to the factory, particularly in the minor executive positions such as foremen, very little is done either with advice or training, and yet we expect them to make good. We have believed that it is much better to go to the other extreme and take our factory organization into our confidence, making them feel that they are a real part of a real organization. In this paper, I must ask you to take a great many things for granted; I simply point out

the high spots which show what we try to do.

### PLAN OF NATIONAL ADVERTISING

Shortly after the armistice was signed it became necessary for us to rehabilitate ourselves in the minds of our customers because we had been so largely on war work. After careful consideration we decided to embark on a plan of national advertising. This in itself represented such a tremendous amount of money that we believed it was necessary for us to explain to our factory organization why we took the step. We wanted them to realize that we did it for the benefit of the entire organization and did it to stabilize the demand for our tools so that we would be able to give them steady work in good times and bad. To accomplish this we called a meeting of forty-seven foremen, assistant foremen and inspectors in the plant, explaining to them thoroughly what we did and why we did it. If we had not done this we are sure that the men in the factory would have looked upon this outlay of money as a tremendous waste and would have said that it would have been much better if it had been placed in their pay envelopes. By the method we adopted, however, they were with us from start to finish. We sell the idea to them each month by posting in each department the proofs of the advertisements we are using.

Later on we commenced to get some complaints as to our tools. This was at a period when everybody said it was impossible to say anything to a work-

man because if you did he would quit. We knew that something had to be said, so instead of simply starting through the factory and giving a line of criticism which would not only necessarily be extremely harsh, but would also undoubtedly cause trouble, we decided to call a meeting of our factory executives and they gave me what we called the Salesmanager's Night. I was able to point out to them by letters received from various customers, by complaints of our salesmen how important it was that the goods we sold be as advertised, because unless we kept up our standard, the money we were spending would be thrown away and we as a factory would go backward instead of forward and thus jeopardize all our positions. We pointed out that the only way we could get results was through them, and without their coöperation we were helpless. It is no exaggeration to state that the next day our inspection stiffened 50 per cent with no trouble to anyone.

#### OVERHEAD EXPENSE

Another item on which there has always been a great deal of misunderstanding is overhead expense. I remember when I was a little fellow, one of the first jobs I had was cutting files, and being quite young, I was not received with any great enthusiasm by the men in the department. I can remember that I had not worked over three or four days when a committee of one came to my machine and told me that if I did over 40 dozen a day he would break my neck. It is needless to say that I did not do over 40 dozen a day.

Looking back on this situation I realize that the men were right in their attitude. In other words, the executives of that organization did not know enough about factory conditions to realize that one way to decrease

unit cost was to increase wages by increased production. The old idea was to watch the payroll and when men seemed to be making over what the executives called a decent day's pay, wages were cut. This is, of course, a fallacy that has been exploded by greater knowledge among factory accountants, but even today it is questionable whether the average executive really knows what overhead expense is. Workmen in the shop do not; they usually visualize it as the white collar brigade and the officers who ride in automobiles. There is something fundamental about factory expense in relation to production and it seemed to us necessary that we show our factory organization what the connection really was.

We had large blue prints worked up which are placed in each department. On these blue prints we show how the money received from the sale of tools is distributed and how the profits increase as production increases. We show what material covers and then we show what running expenses really are, listing thirty-five items running from shipping cases and emery wheels to coal, heat and light,—all items which the workmen can readily visualize. We show bags containing money and have them graded for a production of tools per day as follows: 3,000, 6,000, 9,000, 12,000. On the 3,000 tools per day we show that 50 cents out of each dollar goes for expenses and to pay wages we must borrow  $16\frac{2}{3}$  cents. On 6,000, expenses are cut to  $33\frac{1}{3}$  cents and we are able to pay  $33\frac{1}{3}$  cents for wages, but have no profits. On 9,000 expenses are cut to  $27\frac{1}{3}$  cents and we have 39 cents out of every dollar for wages and profits. At 12,000 expenses are cut to 25 cents and we have  $41\frac{2}{3}$  cents out of every dollar for wages and profits. We show the bags leaking out dollars. We have these leaks marked—"lost

time," "break-downs," "spoiled work," "work done over," "broken handles," "accidents to machinery," "loafing of expense workers." We have a memorandum reading that "whatever leaks out through the holes leaves that much less for the good workman," and another reading "He who loafs robs us both." They tell us that the average workman cannot understand figures of this character, particularly where there is a large percentage of foreign employees. I do not know whether this is true, but I do know that no matter how much a foreigner a man is he can tell the first week he works for you whether he is 10 cents short in his pay. It might be telepathy, but they seem to get the message. As a matter of fact, we believe that our men understand this blue print because loafing is not a popular indoor sport in our factory.

#### SHORTER HOURS

Take the question of shorter hours. We became thoroughly convinced during the war that from the results given to us by Great Britain that there was such a thing as fatigue and we finally considered reducing our working hours to see if we could do something to eliminate absenteeism and to decrease our labor turnover. Here again we did not approach it with an attitude of simply posting a notice, but we sold the idea to our workmen. We told them that we did believe there was such a thing as fatigue and that if they worked shorter hours and had a greater rest period they could do as much work in a short time as they did in the longer time. At that time we were working  $57\frac{1}{2}$  hours a week and we cut our working time to  $52\frac{1}{2}$  hours a week. The response was immediate. Results achieved were so satisfactory that we felt we had not gone far enough and we eventually cut our working time to  $47\frac{1}{2}$  hours a week, and as I will show

later, with beneficial effects. The point we wish to emphasize here is that it was not something given to our workmen because we felt that it was necessary to do it, nor was it something that was wrested from us by virtue of their power and demand, but it was a pure application of coöperation and the message was given to them plainly and, we think, fully understood.

Do not think for one minute that all of the things we found in the way of education pertained exclusively to the factory organization. We in the executive organization learned a great many things. One outstanding fact brought to our attention had a great bearing on our selling proposition. We found by analysis that we were not getting sufficient production from our equipment and this led to an analysis of our sales, item by item, and led to a shortening of our line in order that we could give our men longer runs without so many changes. We found that our workmen, while apparently getting good money in so far as rates were concerned, were actually not satisfied because of the lost time due to frequent changes. We cut out of our line 1,300 kinds, item and sizes and this has had a great effect on increasing our production, and at the same time decreasing the expenses of dealers handling our line because they have so few unsalable items which tie up their money.

#### EMPLOYEES' REPRESENTATIVE COMMITTEE

Further than this, we have an Employees' Representative Committee which is not hand picked, but is actually selected by the workmen in the shop who have become thoroughly convinced that we mean what we say; that we do consider each of us a part of an organization and that we are trying to give everybody a square deal. The members of this committee have handled many questions, but recently



one of the hardest questions to solve came before them. We found that as is common in an organization of our kind, while piece workers and bonus workers were able by virtue of our working conditions and improved facilities to increase their earning power commensurate with the cost of living, the burden fell to a great extent upon day workers who had no method of increasing wages such as piece workers have with additional effort. We decided due to this cause and to the fact that competitive conditions generally made it necessary for us to do something to hold our force, to raise the rates of our day workers. We did this after considerable thought, through our Employees' Representative Committee, and then circularized the findings of the committee throughout the entire factory. We knew that there might be some reaction from this because it is human nature to reach out for what you think you can get. The reaction came the next week with a demand from one of our highest paid departments for a 10 per cent flat increase in both day rates and in piece rates. We felt sure that this demand was simply made because the opportunity had presented itself and we felt that the demand was not just. This seemed to us, however, to give us an opportunity to test our Employees' Representative Committee and see whether or not it was valuable from the standpoint of fair play, and we called a meeting and turned the request over to them. It was indicative, however, of the feeling throughout the plant that the demand came through the department delegate rather than being made to headquarters with a flat ultimatum as it had been in the past. The Representatives' Committee appointed a committee of three who called upon every workman in the department, and then made a report to the entire committee. They found that there were

quite a few discrepancies throughout the department and they were prepared to bring these up before the committee. Before doing it they took a vote on whether the demand for the 10 per cent increase was justified or not. The vote was 23 to 1 against granting it. Here again came a further test of it as we had foreseen. Would the men in the department abide by the decision of the Employees' Representative Committee? Suffice it to say that the findings of the committee including this vote were posted throughout the factory and not a man in the entire department quit, proving conclusively that as long as they know they are treated fairly they will treat fairly in return.

#### FRATERNALISM VERSUS PATERNALISM

The question of course is whether what we have done and are doing has any effect on production, and the answer is this: While practically everyone engaged in lines of steel manufacture states that they are getting from 80 to 85 per cent full production, we have reduced our working time 17.4 per cent and have increased our production per man per day 14½ per cent. As you will note, many factors have contributed to this, but we believe that the most important one is the fact that we have no line of demarcation; that we are all employees working for a common organization to a common end, each of us with a stake in the same pot. The men in the factory are working with us and not for us. We believe that any slight difference in environment, opportunity or education makes no material difference in the human element that is governing the actions of each of us. While we do not believe it is a universal panacea, we do believe that the substitution of fraternalism for paternalism will help solve a great many of the problems which confront us.

## Labor Situation in Belgium

By PROFESSOR ERNEST MAHAIM

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**I**N order to understand the actual situation of labor in Belgium, some essential data and figures must be recalled.

Before the war, Belgium was one of the most prosperous countries of Europe. On a territory of 29,455 sq. km., a population of 7,571,387 inhabitants were living in 1913, *i.e.*, 257 persons per sq. km., a greater density than that of any other European state. From 1900 to 1910 (dates of the two last censuses) this population was increased at the annual average rate of 1.03 per cent, a higher rate than that of any country of Latin race or of the United Kingdom (0.91). This rate of increase was only surpassed by Germany, Holland, Switzerland and the Balkan states. The prosperity of Belgium is due less to natural advantages than to the activity of its inhabitants.

### BELGIAN INDUSTRY BEFORE THE WAR

Belgian agriculture was, in many respects, the first of the world. If it is true that the cultivated area of cereals for human consumption is increasing, the yield per hectare is superior to that of France, Germany and Great Britain for wheat, rye, oats, sugar beets and potatoes. The land, however, is not particularly fertile. The Flanders, especially, have a particularly poor soil and if splendid crops are obtained, it is due to the continual labor of the peasants and to high manuring, for it is in Belgium that the agriculturist uses the greatest quantities of chemical manure per hectare.

With regard to the livestock, Belgium had a greater number of livestock per sq. km. than Great Britain, France, Germany or even Denmark. The breeding of certain sorts of draught-horses was unequalled.

Notwithstanding the superiority of its agriculture, Belgium should not have been in a position to feed its population, if it had not found in its trade and industry the necessary resources to buy abroad what it needed.

The trade of Belgium placed it fifth in the world in absolute value with only the United States, Germany, Great Britain and France ahead. In relative value, however, Belgium was first in 1912 with 655 francs of import, 522 francs of export or 1499 francs per inhabitant. The port of Antwerp disputed in 1912 the third place in Europe to Hamburg, London and Liverpool leading in Europe with only New York ahead in America.

Of course, the geographical situation of Belgium, as a country of transit between Great Britain, France and Germany, is of great importance, but the great prosperity of Belgium is especially due to the prodigious industrial activity of its people.

One must realize that the "active" population of Belgium reached 48.50 per cent of the total population in 1910, which was a greater per cent than in any of the countries of Europe, except in France, Austria, Italy and Swiss.

Of this active population, 1,700,000 persons, or 48.53 per cent had an industrial profession. The number of workmen was 1,300,000, of which

250,000 were in the textile industries, 190,000 in the metal industries, 150,000 in the mines and 140,000 in the building trade.

The industrial importance of Belgium could be measured by its large industries of exportation. Although its iron mines were practically exhausted, 2,301,000 tons of cast iron were produced every year, 335,000 tons of finished iron products and 2,000,000 tons of steel, the value of the total product being more than 500 million francs. Of this product nearly two-thirds was exported.

In the zinc industry, Belgium, formerly the most important producer in the world, supplied about as much zinc products as the United States and Germany.

The glass works, including both the plate-glass works and the "gobeleteries," were exporting to the whole world, in 1913, nine-tenths of their output, valued at more than 103 million francs.

The most considerable natural wealth of Belgium is the coal. In 1913 the mines still supplied about 23 million tons, which was at that time an insufficient quantity for home consumption.

The wool industry and, to a smaller extent, the cotton industry, gave rise to a large export trade.

Finally, the railway-net was one of the densest in the world, with 8,660 kilometers.

This brief summary of the industrial situation will be sufficient to justify the claim that Belgium was one of the industrial powers in Europe before the war.

#### THE BEGINNING OF UNEMPLOYMENT

The general well-being, it may be stated, was spread among all classes of society, even the working class. Of course, the wages were very low, but

it was not at all due to the inefficiency of the workman. This was proven in a very striking manner during the war, since the Belgian workmen employed in the ammunition works in England and France were found superior to any others. The low wages and the standard of life, perhaps inferior to those of certain other countries, were caused, on the one hand, by the cheapness of the cost of living, owing to free-exchange, and on the other to the economic habits of the population and the relative lack of organization of the workmen.

It was into this laborious and rich bee-hive that the German armies came August 4, 1914, breaking the faith of peace treaties, bringing with them, besides the unavoidable destructions caused by military operations, the brand of villages and towns and the massacre of inoffensive populations. In a few weeks the occupation was extended to the whole territory with the exception of a few sq. km.

From this time, all foreign trade was at a standstill, also the great industries of which the raw materials (raw-ore, metals, cotton, wool) came from abroad. The coal mines alone were allowed to give a part of their output—about 30 per cent—for home consumption.

During the first few months some industrial workshops of small importance, which had some stocks of raw materials on hand, kept on producing, but these were successively compelled to close down and from the middle of 1915 unemployment became general.

As Belgium had to import between two-thirds and three-fourths of its food, the population would have starved if the neutrals, namely the United States of America, had not intervened to protect it. It is known that through the "Great Friend of the Belgian People," Mr. Herbert

Hoover, the Commissioner for Relief in Belgium, food was sent which served to give help to the population out of work.

At the time of the armistice the number of unemployed people reached the huge figure of 2,300,000 persons. The suffering of the working class surpassed all that is imaginable. Those who were the happiest were the workmen who succeeded in going abroad. The exact number which left the country at this time is not known, but it must not be far from 75,000.

Those who remained in the country were forced to work either in the works requisitioned by the enemy, forging arms against their own countrymen, or to starve from hunger.

This was not sufficient. From 1916 the Germans pursued a criminal policy against Belgian industry; first, by requisitioning all that they could in the way of metals especially copper, textile goods and machinery, and second, by destroying the machines in the works. This was not less serious to Belgian industry than the deporting of the workmen in Germany. The number of workmen deported to Germany in slavery is estimated at about 160,000, of which only a part returned, after June, 1917. The number and the value of the machines carried off and destroyed is not yet known, but the sum is enormous.

The idleness, sometimes heroic, of the working class during the period of occupation could not fail to have a very great effect upon the minds of the working people. On the one hand, it certainly diminished the efficiency of the workman, whose efficiency was still further diminished because of the lack of proper nourishment. On the other hand, it had a very depressing effect. The workmen could go to work but with great difficulty.

#### GROWTH OF LABOR ORGANIZATIONS

As in all the other countries, wages advanced rapidly during the war. The by-laws of the Unemployed-Benefit, ruled by the National Committee, stated a short time after the armistice that the workman was entitled to refuse employment when it required more than nine hours per day and was paid less than one franc per hour.

The first *Congrès Syndical du Parti-Ouvrier et des syndicats Indépendants*, which came together after the war, meeting in Brussels January 12 and 13, 1919, agreed to a normal working day of eight hours and a wage of 1.25 francs per hour for the skilled workmen and one franc for the unskilled workmen.

This congress indicated already that during the war the number of workmen joining the unions had materially increased. Although the unions could not hold meetings they had not ceased to make progress.

Since the beginning of 1919 the number of organized workmen has increased to a marked extent and this increase has continued until the present time. About six or seven hundred thousand workmen are said to be members of the unions of the Working-Pary (Socialiste). The increase has not been so rapid for the Christian unions, which should not have more than 200,000 members at this time.

As should be expected, this crowd of new members and this multiplicity of unions had, as a first result, the increasing of the disputes. And so it happened that from the middle of 1919, Belgium, a ruined country, devastated by the war, with unemployment general, was further disturbed by numerous strikes. Works, where only a few men were occupied to clean the places and put in order certain pieces, where no productive work was yet started, saw their staff go to strike. Many of the



workmen coming back into the country from England, France and Holland, where they had obtained very high wages, pushed their fellows to claim as much.

Further, cost of living remained exceedingly high and hope had been kept alive that once the war finished, the blockade removed, everything would be found in abundance and at cheap prices. The contrary was experienced and we saw that our own allies had to restrain themselves and were in want as well as we.

There is no good index number for the period of German occupation, but from January, 1919, we can watch the general level of prices. The index for January, 1919, was 639 (per 100 in April, 1914). In June, 1919, it fell as low as 344 where it remained about the same during a few months. After November, 1919, it increased at a very astonishing rate, reaching by March, 1920, the point 421.

#### WAGES AND THE COST OF LIVING

No doubt, the high cost of living is at the root of the deep feeling of discontentment of the working classes.

Since the first months of 1920, the strikes spread over all trades. Even the state officials, among them the postmen and officials of the ministry department, had their strikes, headed by their unions.

However, we must say that the trade disputes were short and relatively easily stopped. They were never so serious or so grave as those in France and in England. Joint committees of employers and employees with a government delegate as chairman, succeeded in a large number of cases in avoiding or stopping conflicts. Arbitration, sometimes forced upon the parties by the government, cut out many instances. Such national joint commissions exist now in many indus-

tries, namely, the iron industry, engineering, mining, glass industry, building, wood and carpentering industry, for the public works of gas and electricity, for the Port of Antwerp, in the textile industry, in flourmills and in bakeries. They are endeavoring to determine the conditions of labor with particular reference to hours of day work and the rate of wages, in all these trades for Belgium and some special districts. The organization is not yet systematic. It arises from the needs of the day and lacks as yet direction. On the whole, however, it has the same aim and duty as the Whitley councils in England.

Meanwhile, day by day, the general economic situation is growing better. Unemployment at the time of the armistice was almost complete. The statistics of the *Secours Alimentaire* stated 800,000 households and two million and a half persons as receiving relief. In February, 1919, these figures were still 741,592 households and 2,390,459 persons; in June, 316,836 households and 992,221 persons; in September, only 182,950 households with 583,589 persons; and in January, 1920, 113,884 households with 381,950 persons. The bulk of the assisted population is, properly speaking, not "unemployed;" they are either old-aged and diseased people, or very young ones, who have not had the opportunity to learn crafts during the war. But, practically, there is no increasing amount of unemployment in all the staple trades, with exception of the building trades, which remain almost at a standstill.

A part, and not a small one, of the working population has gone abroad. This is the case especially with the bricklayers, masons, plasterers and other building workers, who are emigrating into France, especially in devastated areas, where the wages are abnormally high. A lot of skilled

workers, particularly metal workers, are following them. The situation seems especially bad in several districts, where the country is practically empty of active labor, just at the time when it is most needed.

The industrial plants which have recovered most rapidly are those of smaller size. The big industries are still far from their normal production. Of the 54 high furnaces only 8 are fired. Production of iron and zinc remains much behind. The collieries have reached 85 per cent of their production before the war, but they must employ 15 to 20 per cent more workers, because the output per head has so seriously decreased.

This is the general complaint of all employers. Everywhere, the output not only per day under the eight-hour day, but the output per hour has also diminished. It seems to be an outgrowth of the general discontentment.

As regards the political situation, we do not have in Belgium true "bol-shevists," but the extreme wing of the labor party, which now lays its hope in socialization of workshops in gaining ground. I am of the opinion that

the cabinet is extremely fortunate to preserve its character of national union and have four socialist ministers. But the last labor congress, which held a meeting at Easter, gives reason to fear that it is not to continue for a very long time.

We have, however, all reasons for hoping for better conditions, were not the foreign exchanges so continuously bad. Since Belgium, deprived as it is of all necessities, must draw from abroad about three-quarters of its food and rebuild its machinery before it can be able to export much, it is not astonishing that the dollar is more than threefold the pound sterling more than double their value. It means for Belgium the duration of high cost of living which forces the claims of the workers for higher wages. Thus it is that this country, which showed such a magnificent steadiness and activity in recovering from its ruins, is today involved in a vicious circle from which there seems to be no evasion.

I venture to state that if foreign exchanges could be stabilized for some months, the labor conditions in Belgium would be very excellent.

## Foreign and Domestic Obstacles to Maximum Production

By EDWARD A. FILENE

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**W**ITHOUT industrial stability there cannot be maximum production, and a rapid increase in production to the maximum attainable is what the world needs more than anything else. The more thought the leaders in business, industry and education devote to these matters, the more hopeful I am that a satisfactory solution will be found. I shall try to outline briefly what I regard to be the fundamental principles involved, together with suggestions as to how the obstacles may be overcome.

### THE EUROPEAN SITUATION AND MAXIMUM PRODUCTION IN THE UNITED STATES

In a recently published statement Mr. Hoover is quoted as saying "Words without action are the assassins of idealism." Nothing can be truer as regards the international and domestic problems that confront us. We have talked so much and done so little to help lift Europe out of her slough of despond that I hesitate to add any words of my own to the stupendous amount that has already been spoken and written on the European situation. However, no one can discuss the obstacles to maximum production without touching on conditions abroad, because until Europe returns to normal any program for maximum production represents an ideal that cannot be realized. Steady maximum production in the United States will be found to be impossible unless all the civilized nations are producing nearly normally.

The world war commenced nearly

six years ago. For a little more than four years the world suffered the greatest destruction of goods and lives it has ever known. For nearly a year its normal economic life was suspended while the terms of peace were being negotiated and while the great armies were being demobilized. For the past eleven months there has been a nominal peace, but the United States has not shared in it, nor have we helped make it a lasting and enduring peace—a peace that will be the foundation for the maximum production we need.

### INTERNATIONAL ECONOMIC AND INDUSTRIAL SITUATION

The post-war world is an entirely different world from the one we knew prior to 1914. Russia, for example, has substituted radical experiments for its former despotic imperial government. As far as the outsider can judge, the change has brought about industrial and economic disorganization that approaches chaos. Although we in America, who are comfortable and well fed, may shudder at and shrink from communism and bolshevism, it cannot be denied that their propaganda have an irresistible appeal to the desperate and the starving. Those who have nothing to lose, not even hope, will embrace the most fantastic schemes in search of food and life. But communism is a menace to maximum production and may sweep Europe, unless Europe's peoples can be fed and clothed and kept profitably employed.

The Germany of the Kaiser is gone, and in its stead is an inexperienced

republican government. Already the reactionaries have attempted one *coup d'état*, which fortunately failed. There is grave danger, though, that other attempts at a counter-revolution will be made. Unless Germany can produce more—not to speak of attaining her maximum production—produce enough to sustain her people and keep them at work, or produce enough to exchange for the food and raw materials she must have to feed her people and keep them at work, it is clear that the present government cannot survive, and it is almost certain that counter-revolution will put the extreme radicals in power. If the extreme left wing of the socialist party or the independents comes into power in Germany, the greatest possible danger to maximum production and the peace of the world may result therefrom.

Austria is a shadow of her former self. Her territory has been divided among the newly formed nations. She has lost practically all of her natural resources and seven-eighths of her population. She is left with Vienna and a small territory unable to support its inhabitants. As a result, conditions in the capital are indescribable. I have had letters from prominent and respected citizens of that city literally begging for assistance in the shape of food drafts or in the shape of employment which would allow a small income in dollars. Nutritive food is almost unprocureable except through the warehouses of the American Relief Administration. The great middle classes and the poor are slowly starving to death. What hope has Austria? What is to keep her from communism and the visionary splendors of that alleged panacea? Austrian money is practically worthless. It is scarcely a medium of exchange. The ordinary machinery of affairs has broken down almost completely. Production, far from being

at a maximum, has almost completely ceased.

Poland, Czecho-Slovakia, Jugoslavia—what are they but names on a new map? As governments they are as young and as inexperienced as an infant. They can have no future unless helped and trained and educated as one helps, trains and educates a child. They must trade with one another and with the rest of the world, and yet their financial condition is now such as to preclude extensive trade and to prevent anything approaching maximum production. What would be their fate if Germany and Austria were to unite with Russia? Europe and the world would feel that they must rearm to defend themselves against irrational radicalism. The cost of this rearmament, added to the staggering cost of the war just ended, would increase tax burdens to such an extent that the stability of all governments would be threatened.

What of the Allies? Their condition is, of course, far more hopeful, but they have serious problems nevertheless. All are faced with huge debts, both internal and external; all have inflated currencies; all are suffering from high dollar exchange. Millions of their men have been killed or maimed, and their peoples are war-weary and spiritually worn. They need raw materials, food and machinery from America. Exchange, however, is so unfavorable that purchases are rendered well-nigh impossible. The difficulty of correcting the exchange is enhanced by the fact that the annual interest on Europe's debt to the United States amounts to more than six hundred million dollars. When it is remembered that before the war Europe imported more from the United States than she exported to us, and that any unfavorable balance must be overcome before any impression can be made on the six hundred million



dollar interest charge, one begins to realize what an enormous development of European industry and trade is necessary before Europe's debt to us can be discharged.

#### NECESSITY FOR FOREIGN MARKETS

Briefly, this is the international situation as I see it, and it is a discouraging one. Every factor that I have pointed out involves the interests of the United States more or less directly. Any catastrophe in Europe will sooner or later be reflected here. We cannot even approach stable maximum production in industry until we are certain first of a stable equilibrium in Europe, and second of a permanent market for our surplus goods; and the second depends on the first. While it is true that for the next year, or possibly two, our own needs are great enough to absorb our own production, and that for this short period the deficits resulting from the war call for increased production in our own country, at the end of that time we must have extensive foreign markets for our goods if our surplus production is not to stagnate on our hands. In my judgment we can have foreign markets only if we assist Europe to readjust herself to normal conditions. The process of readjustment may be slow, but it must be started. The most effective way for starting it is, in my opinion, the ratification of the peace treaty and the participation of the United States in the League of Nations. The many and probably extensive modifications in international relations that may have to be made in working out the terms of the peace treaty can be made satisfactorily only by disinterested international coöperation. It is unthinkable that our great democracy, the greatest proof of the practicability of the democratic ideal, should refuse to take its part and assume its burden

with the other nations of the world.

#### A NATION-WIDE CAMPAIGN FOR SALE OF EDGE LAW CORPORATION SECURITIES

Fortunately, however, while waiting for ratification of the peace treaty and participation by our country in the League of Nations, we can begin to render assistance. Under the provisions of the Edge Law we can finance the export of necessities to Europe. The formation of Edge Law Corporations, the purchase of their securities by the people of the United States out of their current savings, will go far to counteract the present impossible exchange situation, and to facilitate the resumption of trade and industry abroad on something like a normal basis. I should be glad to see a nation-wide campaign inaugurated for the sale of Edge Law Corporation securities to small investors in every city and hamlet in the United States. Not only would such a campaign yield, in my opinion, huge quantities of money, but it would also be of incalculable value to the people of the United States, as it would stimulate thrift and turn into productive enterprise the millions of dollars that are now being squandered on luxuries and non-essentials.

#### THE UNITED STATES AS WORLD LEADER

Even we in the United States have our problems, and they are sufficiently difficult to demand the wisest kind of statesmanship in government and in business; but our problems are insignificant when measured against those of Europe. Our debt is relatively small; our taxes, though burdensome, are well within our means. Our country is rich in natural resources, in man power, in initiative and in opportunity. We are equipped as is no other

country to take a position of unselfish leadership and to mobilize our resources for the service of the world. However, we must put our own house in order, so that our attention need not be distracted by local disturbances.

Recently, I attended the meetings of the Chamber of Commerce of the United States. There was unanimous agreement on the part of business men attending those meetings that the great need of the world was increased production. In the course of the discussion of this subject many reasons were given for the under-production that has followed the war. Mention was made of taxation whereby capital was discouraged in seeking employment in industry and was being invested instead in the exempt securities of states and municipalities; of taxation that encourages huge expenditures for good-will advertising and for other immediately non-productive purposes; of transportation difficulties; of lack of policy with respect to our merchant marine; and of many other things. But the one problem that was mentioned by nearly every speaker was that of industrial relations. Here was the one common obstacle to increased production experienced in all branches of business and industry.

There can be no doubt that the question of industrial relations is one of the most baffling and intricate questions that we have before us.

#### INDUSTRIAL RELATIONS PROBLEM AN OBSTACLE TO INCREASED PRODUCTION

##### *The War and Labor Aspiration*

The present phases of industrial unrest that are manifesting themselves throughout the country and that are threatening production are, in my opinion, due to several fundamental causes. In the first place, they are a psychological result of the war—an ex-

pression of physical, moral and spiritual restlessness. During the war we were all striving to the best of our ability for one thing—victory. Now that victory has been achieved, we have no such compelling and unifying purpose. The old motive power is gone and we have found no substitute. In the second place, they are the expression of aspiration on the part of labor. The aspiration has always been present, but it is only now that it has been able to find effective expression. Labor, having more nearly perfected its organization, having experienced the advantages of democracy in government, now seeks democracy in industry. Is this unreasonable? Is it any stranger that a man should have a voice as to the conditions under which he works than that he should participate in the management of the city and the state and the nation? If a voter on governmental problems, why not a voter on industrial problems? These are fundamental questions, and on our answer to them depends our economic stability and health.

##### *Americanization*

The problem of what is called "Americanization" is an important factor in this condition. There has been little or no immigration for five years. If this stoppage of our supply of cheap foreign labor should continue for the next twenty-five or thirty years, we should automatically have Americanized our population. The foreign-born element would have been practically eliminated and its children would all be Americans. There is, of course, danger that labor might in this way gain too much power before it was ready to assume so heavy a responsibility, for it would practically control the industrial situation. However, if this danger could be eliminated by developing a new form of industrial

organization which admitted labor to partnership, it might be expected that one of the greatest obstacles to future maximum production would have been overcome in advance, and that a thoroughly Americanized America would reach new high levels of production.

### *Employee Representation*

The principle of employee representation is gaining in favor. England has proceeded quite far along these lines. I have recently had a letter from an Englishman, the manager of one of the largest stores in the world, reading in part as follows:

The unrest which characterizes the labour movement all over the world is not merely a question of wages. We have to recognize that we are entering upon a new industrial era. The old links with the past have disappeared, and will never be renewed. The old relations of labour and of capital are happily a thing of the past. The aspirations of the men now are clearly stated to be not only a recognition of their movement as in America, but here a direct participation in the management of the great industries which they have done so much to build up and to maintain.

Our Government I think is to be congratulated on the frank admission of this principle, and in the new Transport Board which has just been formed, which controls the whole of the railways, waterways and highways of this country, four labour representatives will sit with the managers of the other great interests, and discuss not only conditions of labour as it affects their various Unions, but the general administration of this huge organization.

I am convinced that the example set by the Government is one that must be largely followed if we are to secure industrial peace and all those things that flow from it. Happily this principle is being very widely recognized, and Whitley Councils have been established by the hundreds all over the industrial areas of this country.

Strange enough the Retail Merchants lag behind instead of being in the van of this movement helping to educate and direct it. The Retail Distributors of London refused as a body even to recognize the Shop Assistants Union. Already two of the big stores of London—the Civil Service and Army & Navy—have been compelled to do so by their employees, and I venture to say that

in twelve months this principle will have to be admitted by all other organizations as well.

I am strongly of opinion that unless a more liberal attitude, not as regards money, but as regards status, is conceded by the American employers, to the workmen, conditions will not improve, but on the contrary will be a constant source of danger.

We are moving in a more liberal direction here in America, but we are moving slowly. The report of the President's Industrial Conference urged the recognition of the principle of employee representation. In many large industries this principle is now being tried. For years we have had a successful system of this kind in operation in our store in Boston, and I believe firmly in it, not as a concession to the employees, but as a right as inalienable to the right to vote. In our case experience has proved that the recognition of this right has resulted in happier, more efficient, and more reasonable workers. Adequate employee representation will will go far to make strikes and lockouts impossible, to stabilize industry, and to secure maximum production. In addition it will add to the self-respect and sense of individual responsibility of the working man; it will give him a stake in the business that employs him and will decrease labor turnover.

### COUNTERFEIT WAGES

The question of wages is closely related to the labor problem. Wages, though higher than ever before, have decreased in purchasing power, and the discrepancy between income and necessary outgo seems to be no less now than it was before the war. There should be a margin of income over outgo if labor is to render its most efficient service. We employers are, for the most part, unconsciously paying to our employees what I call "*counterfeit wages*;" That is, wages that are not buying a sufficiency of food, clothing, shelter and recreation, and that do not permit

adequate provision to be made for sickness and old age. It is not a question of "how much wages," but "what wages will buy." Wages may have doubled, but if prices have more than doubled the wage earner is worse off than before the change. Employees who find that the dollar in their pay envelopes will not buy a real dollar's worth of goods when taken out, and who worry because they cannot purchase life's necessities for their families, are not efficient employees. It is to the interest of business men to see to it that the dollars they are putting into the pay envelopes will purchase real dollars' worth of commodities when taken out. Counterfeit wages are as dangerous as counterfeit money.

These, then, are the two fundamental causes of industrial unrest—the aspiration for self-expression through representation in the control of conditions of work and in management, and the demand for real and not counterfeit wages.

Most of our troubles spring from these sources, and we cannot secure maximum production until we have adjusted these difficulties. Capital will be reluctant to engage in industries constantly paralyzed by strikes. If it does so it will charge the "fire-risk" heavily to the consumer. Without capital we cannot hope to increase our production. Capital will be equally reluctant to engage in any industry which depends for its existence upon railroads, coal and shipping (and what industry does not depend on these essentials?) if railroad systems can be tied up, if coal mines can be shut down, and if shipping can be disorganized by strikes.

#### PUBLIC OPINION AND INDUSTRIAL HARMONY

There is another element in the problem, and that is the element of

public opinion. The public is realizing as never before that it has a stake in industrial harmony. Its suffering is no less than that of labor or that of capital when industry is paralyzed by labor trouble. More and more it will take the position that nothing can justify the cessation of service on railroads, in coal mines and in government activities. It will insist that disagreements be arbitrated, and that it be given a voice in the arbitration proceedings. If it decides that minimum wages should be established in these vital activities, it might well be that these minima be fixed at higher levels than in industries where the strike was not frowned on as a means for adjusting compensation.

These are some of the obstacles in the way of maximum production, and some of the means by which these obstacles may be attacked. It seems to me that we must first prepare the way for the new social order by perfecting a method for international co-operation which shall assure to us a sound basis upon which to build the new economic structure. At the same time we must perfect a method for securing co-operation at home between capital and labor and the public, so as to minimize friction and guarantee, so far as possible, that each factor in the complex industrial machinery of the twentieth century will do its part with a view not only to securing its own selfish aims, but also promoting the welfare of the other factors. We no longer have the compelling and unifying purpose of the war. We must seek some other spiritual and moral impulse to bind us together for the common good. It may be that a great religious revival would do this. It seems certain to me that if society, as now organized, is to persist, there must be increased recognition on the part of the world that the basic principles of relig-



ion—justice, brotherhood and mercy—are, in fact, practical rules for the guidance of life, and that the application of these rules to our daily business is the chief guaranty for stable maximum production. We are at the dawn of an epoch in our economic development no less far-reaching in its consequences

than has been the past epoch of capitalistic organization, and upon the vision and the justice and the brotherhood of mankind depends not only the maximum production in material things, but also the maximum ethical and spiritual development of the world.

## Some Principles of Maximum Production

By B. C. BEAN

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### OBSTACLES TO MAXIMUM PRODUCTION

ONE day in the summer of 1914, after I had spent the better part of the day with Luther Burbank, roaming around the hills about Santa Rosa, I asked him a very direct question.

I said to him, "Dr. Burbank, of all the hundreds of people who come here during the day and thousands upon thousands who have come here during your lifetime, what is the thing that appeals to you most strikingly as their most prominent positive character?"

He did not have to study very long in answering but replied immediately that the most striking thing was the demand on their part to see a miracle. They all wanted to see a miracle performed. He elucidated it further by saying that plant improvement is one of the simplest things in the world. All that it requires is the crossing of the various species and the selection of the kind of plant that is wanted, and almost any farmer could do it if he would apply himself to it. Simple plant improvement does not even require a great amount of technical knowledge, but everyone who comes to Santa Rosa or goes out to the Sebastapool testing grounds wants to see a miracle, wants to know how it is done, and insists that Dr. Burbank is a wizard, when he claims merely to be an exponent of common sense.

I have taken this as a typical instance in life because it applies so particularly to business. In business, both sides—the employer and the worker—want to see a miracle performed. In my early systematization days I often

used to run across some man who would ask me if I could advise him of any way in which he could keep his workers satisfied. I would, before answering, naturally get a statement of the case and eventually it would come to this—that one or two individuals had been working with him for five or ten years and they were getting a little uneasy and he was afraid they were going to ask for more pay. He wondered if there were any method or system or any principle that he could apply there by which he could keep the worker satisfied and yet not pay him any more money. That was his demand for a miracle. You very often find, on the other side, that an employee figures that he can do considerable loafing and yet get paid. That is his demand for a miracle.

We have seen in Chicago a little incident which took place that, perhaps, shows the day of miracles has arrived. As you know, we had a large influx of emigration from the south during the war. Negroes were brought up from the south, and the southern negro is quite a different type from our northern negro. They were brought up from the south to take the place of men who had been sent to the east to work in munition plants and various other war activities.

A colored woman, talking to another across the fence one day, said, "Ma husband has got a real job. He's got a job at the stock yards and is gettin' fo' dolla's a day."

The other one said, "Why, chile, that ain't no job. Ma man is on one of these here cost plus jobs."

The first speaker asked, "What is a cost plus job?"

"Why," she was told, "that's one of the miracles in business. The less he works the more he gets." Now, that's a miracle, "but," the speaker added, "that ain't all the miracle, 'cause the more the boss spends the more he gets to spend." Now, that is practically the only miracle that I have been able to ferret out in business, and it is something of a question as to how long that is going to continue, but the principle absolutely remains the same—we all want miracles. In religion possibly it is necessary to have a miracle. Certainly in medicine it is necessary, as Dr. Osler said, to have a touch of the miraculous, and in law we constantly see the pressure put upon legislators to induce them to enact a law—that one miracle that is going to change the whole system of life. Just as, for instance, a friend of mine believes if we had the theory of Henry George enacted into law there would be absolutely no quarrels between people of different nationalities.

The second in the list of obstacles in the way of maximum production is the lack of personal contact. This has been treated very ably and is being worked out in a splendid manner. Of course, if we know anyone we are very prone to like him, even if we work for him and he works for us. Today much business, many workers claim, tends neither to know nor to concern itself about the workers, and this attitude is surely limiting output.

The third obstacle in the way of production is one of policy. That has to do with the fact that the worker does not participate directly in the profits that he makes and also that he is not penalized for the errors that he makes. The first part of this question is very thoroughly treated in the vari-

ous texts and needs only to be mentioned here.

The fourth obstacle in the way of maximum production is the lack of science and management. I have always been a great admirer, since reading it, of Quintilian's *Institutes of Oratory*, and learning that it was written amid the sounds of battle practically, and after studying it, I came to a realization that here was a real exposition of a science. It has often occurred to me that among the sounds of business battle there is going to be some Quintilian who will hammer out and give us an outline and methods by which workers may be controlled, or rather by which they may be brought to produce their maximum, both for the benefit of themselves in the first place, and of business secondarily. When we have that we will have a real science of the management of business. At the present time we do not have it.

The fifth obstacle is closely related to the lack I have just mentioned. Today, anyone who can meet a payroll or get a job as foreman or manager is privileged to act as a supervisor of labor, yet he may have no competence whatever aside from his own technical ability; he may not be a manager, in other words. In so many cases workers are kept at work under conditions which, although they are within the law, yet eventually will lead to occupational diseases. That is one of the instances that so often occurs. Then the tendency of the ordinary foreman, as we know, is to get the day's work out and not figure on what is happening to the business or to the state, or what attitude of mind the employee takes as the result of this crowding. It has often been said, and has held true in the past particularly, that about the only requirement necessary in certain kinds of supervision is a good future talk and the ability to

keep the employee believing it. I know of at least one manager of labor who defies any worker to get next to his future talk, as he terms it, inside of five years. He says that he can save from five to ten dollars a week in salary merely by picturing the beautiful desk and the wonderful leather chair that the worker is going to occupy some time when he gets a trifle more expert in the business.

The sixth element in reducing production is the ever lessening physical capability of the worker. Civilization, as we notice so often in connection with biology, is now sending the best young men to be killed by the combined forces of disease, chemistry and machinery, and, of course, the race cannot expect to get very much better under those conditions. Then there is a factor of industrial hazard to be considered. So we have war, industry and the survival of the unfit. These place a constantly growing obstacle in the path of production each year, and this is showing very plainly in an increasing tax list, which is due in part to direct or indirect public welfare work and is showing more markedly in production. When the machine has obtained its maximum, the slump bids fair to become enormous. The greater the stress that is placed upon a machine and its place in business, the greater and more noticeable will be the slump that will come when you attempt to make physical capability a requisite in work.

The seventh, and the last factor that I have listed is the attitude of the worker toward his job. I have noted particularly some of the instances that supervisors and employers have given me and that workers have given me, and in, perhaps, 90 per cent of them it is the attitude of the worker toward his job—his mental slant—that makes either success for the worker or trouble

for the employer. We need a real system of working psychology of industrial control. Business men and psychologists are not quite together yet, but eventually they will be, and when they are, when the one can use what the other produces, there will be an immense increase in production due to that factor alone.

I call to mind particularly an instance of a young man, an American, who took a position with a Chicago industrial concern when he was about seventeen or eighteen years of age. He had been promised an increase of salary of five dollars in about three or four months after he came there, and he did not get it and was about to resign. However, he got excellent counsel. He talked with a man whom he knew and respected. This man advised him to stay close to his work and get in better shape, as the place where the young man was working was known as an excellent training ground. He did so and about a year afterward secured a position with an eastern firm—one that was known to treat its workers very well indeed—at a fine salary.

Some years afterward I met this young man and while visiting with him asked him how things were going.

He said, "Well, you notice I'm still with the old firm, and they are using me right, too."

I said, "You must get a great deal of satisfaction out of a position of that kind."

He said, "I do, but there is one thing that I get more satisfaction out of than anything else in the world. Whenever I go to Chicago I like to go back to the boss's office and look around the place there, and in a certain department that I can see from his desk is a place where there could be a saving of \$2,000 a year made, every year since I was there." He added, "It is a condition peculiar to his business and there



probably could not be the same saving made in other businesses. Now, the great satisfaction," he went on to say, "has come to me because I am penalizing my old employer \$2,000 per year for the \$5.00 a week that he cheated me out of during the year I was working with him."

Now, I have given that instance for this reason; it is the history of one grudge. There is merely one grudge account as it stands, and it is easy to see who is behind; both parties, of course.

Now, when we take over the grudge of other nations through our emigrants, we are only multiplying cases of this kind by a considerable number, and that is one thing that is to be considered in emigration—that we are taking over a kind of harvested hate, where people have been abused in the old country and then are brought over here to work, and they hold those grudges the same as the American boy of whom I wrote. In fact, I have had some students of the question tell me that early abuse, a heredity of abuse, an inheritance of abuse, is what makes an ideal socialist—that if you have that background, there is your perfect basis for socialism or bolshevism.

#### SOLUTIONS FOR MAXIMUM PRODUCTION PROBLEMS

The demand for the miracle is the one that is going to persist. If there is any answer to it I have not been able to find it, nor have I found any one who has any solution. If there is any other way to secure the good will of the worker other than by treating him rightly, that too has escaped my notice.

Lack of personal contact has been listed as the second factor. That is, the methods that have just been told this morning are identically the ones that will take away the lack of personal contact that has been so prevalent. The policy that the worker does not

participate in what he earns or does not share the responsibility of his losses is an ideal text-book question and has been discussed as such.

To help in getting a better science of management of workers it is necessary for some one to do identically with the fugitive matter that is now at hand as has been done with the other sciences. One manager has one good method or system and another another, and by collecting those and arranging them it will be possible to cover the entire field—speaking more from the idea of mentality of the worker—how he is best brought to produce, not so much from a technical side of the question, because the technical men will always take care of that.

This lack of control over our supervisors of labor is one difficulty which I believe will be remedied eventually by making the supervision of labor a profession by licensing the supervisor. At present, it occurs to me that it might well be done by the state and be made self-supporting, somewhat on the plan of the licensing of teachers, this particularly to apply to industries where certain knowledge, as of occupational disease, is necessary.

The sixth obstacle, the ever lessening physical capability of the worker, is one which calls for the best thought of which we are capable. We have some excellent literature on the subject and some valuable occupational disease studies and texts, but it is not broad enough, and most of all, it is not disseminated widely enough and gotten to where that information will do the most good.

Seventh and last is this obstacle which comes from the mental attitude, and that to me is the big thing—the big obstacle of the entire lot. Some work has been done along that line, but it applies more to such arts as bring in money immediately, as life

insurance or salesmanship. A study of the mentality of the worker, that is the all-important thing. Then there is the idea of propagandizing as to the worker. We never see a raid on a bolshevist nest, as they are called, but what we see the expression, "tons of propaganda." That term is invariably used by the reporters, "tons of propaganda"—always tons. It is fair to ask here, has the employer sent out any pounds of propaganda to his men? I always have the picture before me of the office in which these sheets are brought out—men working under adverse conditions, who hardly know whether they can get their radical newspaper next month because of the law and because of the lack of money, yet they are propagandizing. They are getting out "tons" of literature that is going to the workers, and here is an employer having a skilled advertising man, one who understands psychology, with the multigraph right at his hand or the printing press, if necessary, and yet the business is not sending out any pounds of literature to its workers to help clear the situation. I think that if a business has something to advertise it should advertise to the worker first, even before it advertises to the public, because the worker is the first man in the scheme of production. He makes the things.

The one who buys is really the second man. Propagandize or advertise to the worker first.

I must confess that for quite a number of years I believed that the big solution was in system, in method or something of that kind. Later, when I heard a man say that the Golden Rule was the thing and that that was the way to do, I figured out that he did not have any technical vocabulary and that was the reason why he was advocating the Golden Rule, but I have come around to that standpoint myself. I think that the matter of friendship between the employer and the employed excels all systems, methods or psychology that we can present, but I am not underestimating the value of those three factors.

As Governor Frank O. Lowden stated in his comments on the needs of business, in an informal talk before his home folks in Springfield, there is need for humanization in industry. Make business human and the problem of output is automatically taken care of along with the other pressing problems. Kindliness in business is not a sign of weakness; it is the indicant of strength. Mutual consideration is not the evidence of lack of method; it is merely the logical working out of common sense. "Humanity supreme" should be the motto of all industry.

## INTRODUCTORY

By L. S. ROWE

THERE is evidence on all sides that production in the United States has been very seriously undermined. There is evidence that the actual efficiency of labor has been unfavorably affected, and there is further evidence, glaring to every observer, that combined with that diminished production there is a demand not only for the necessities of life but also for luxuries, which is rapidly placing the country in a position of real industrial and economic danger. Unless the American people can be brought to a clearer appreciation of the importance of limiting their consumption, unless this wild scramble for goods of all kinds at whatever price, no matter how high, can be curbed, we will drift slowly but surely toward an industrial crisis which is going to bring the country into a long period of industrial depression, combined with much suffering.

The attempt on the part of the Federal Reserve Board of the United States and on the part of the Federal Reserve Banks to bring our credit situation into a somewhat more healthy condition has not as yet been successful, and there is real danger that if the Federal Reserve Board draws the reins very much tighter we will have a

financial crash. In other words, our credit structure has become so inflated, has become top heavy to such an extent, that it is now exceedingly dangerous for the Federal Reserve Board to take any drastic measures, because in endeavoring to bring about deflation they may bring down the entire financial structure.

With the constantly increasing individual consumption in the country, we are bound to see continued advancing prices, and with advancing prices we are certain to face increasing industrial unrest. It seems, therefore, that unless the public opinion of the country can be quickly enlightened we will be traveling a vicious circle, which will carry with it ultimate disaster.

I am inclined to doubt whether we can have anything approaching industrial stability at a time of inflation such as that in which we are living. A period of inflation is always accompanied by profound industrial unrest, and until it is possible, through the action of the government and the coöperation of the people of the United States, to remedy the present unhealthy condition of our domestic credit situation, I doubt whether any remedy will carry us very far toward real industrial stability.

## Americanism in Industry

By REV. JOHN A. RYAN, D.D.

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THE traditional philosophy of American industrial life has assumed that almost, if not quite all, of the working class may confidently cherish the hope of some day becoming business men; for example, farmers, shop keepers, manufacturers, bankers. Most of us until quite recently have assumed that comparatively few workers need remain wage earners all their lives. A few years ago when the late John Mitchell declared that 90 per cent of the wage earners of today have no longer any definite hope of becoming anything else but wage earners, he was denounced by many newspapers as un-American. It was asserted that this philosophy was contrary to the philosophy and the facts of American life; but those of us who are willing to look facts in the face know that he spoke the simple truth.

### THE LABORER—A WAGE EARNER OR A BUSINESS MAN?

We call America the land of opportunity; it is, in comparison with other lands. This does not mean that practically all persons have the opportunity of selection of positions. Modern machinery in industry has created such a situation that if it continues to be dominated and owned, as it has been during the last fifty years, the great majority of the industrial population of this country will remain a class of wage earners and nothing else. The same is true, but not quite to the same degree, of the farm laborers. It is not nearly as easy now for a farm laborer to become a business man, that is to say, a farm owner, or even a

tenant farmer, as it was twenty-five or thirty years ago; not that it is any more difficult to get a farm to rent—it is not—but the outlay and equipment required to carry on a farming business is greater today than formerly, owing to the greater importance and extent of machinery in the farming business. So this is the situation, that apparently the great majority of our population is due to remain merely wage earners during all of their working lives. Now, I maintain very positively that this is not a desirable nor a tolerable situation. I maintain that our ancient American industrial philosophy, the assumption that the majority may become business men to some degree, is a fundamentally sound philosophy. It is the only one that is going to endure. The opposite condition, in which all the owning functions and all the operating functions of industry are concentrated in the hands of a small minority, cannot be permanent. That is industrial autocracy pure and simple, and yet it is accepted as normal by probably the majority of the captains of industry.

### AUTOCRACY AND STABILITY IN INDUSTRY

The theory appears in two forms. According to one form, the men who own and control industry should be unhampered in their operation and control of it, uninterfered with by any nuisance like a trade union with its collective bargaining and other disloyal methods. According to another form of the theory, trade unions should be permitted to function and to em-



ploy collective bargaining, and there should be established certain minimum standards of welfare in industry which would enable the working class to have a fair living and, indeed, a fair amount of security against the contingencies of the future. Nevertheless, the adherents of both forms assume a sharp line of division between the two classes of the industrial population—at the top must be the owning and directing minority, and at the bottom the operating and executing majority, the men who are to be users of tools but nothing else.

Now, here is where the question of industrial stability comes in and the promotion of industrial stability. I do not think that we can have permanent industrial stability on the basis of that kind of industrial alignment or on any such industrial philosophy. Look at the essential contradiction of the thing. It means that the differences of interest, the opposition of interests between the two classes are over-emphasized, while the community of interest is minimized and ignored. The interests of capital and labor are different up to a certain point and they are common, or, at least, coöperative, beyond that point; but the evil of the present situation, the evil of this theory of industrial autocracy is that it is forever emphasizing the differences of interest and forever obscuring or minimizing or ignoring the community of interest.

Everybody is crying today for more production. The world needs a greater abundance of products, even this world of ours in America. How shall we prove to the working class that it is to their interest to produce more? You may say in the long run they will be better off if they increase their product. Of course, they will—in the long run. All of us will be better off in the long run if we obey the

Ten Commandments more consistently than is our practice, but the long run is the long run, and, therefore, its appeal is more or less remote. Practically, and for the present, and within the circle of interests that touch him in any vital and constant way, the laborer may find it to his interest to decrease production. The economists tell us that the "lump of labor theory" is a fallacy. So it is, considering the whole population, but it is not necessarily a fallacy for this particular group in these particular circumstances, any more than the creation of a manufacturing monopoly is a fallacy for the men who happen to have the monopoly. It is bad for the rest of the people, bad in the long run, but it is not bad for the owners.

This industrial autocracy, then, emphasizes the divergences of interest. It puts the laboring class in the position of constantly fighting for a greater share of the product and for better conditions of employment. It does not put emphasis at all upon their community of interest with the employing class, but accentuates the class conflict, and the demand for the overthrow of the whole capitalistic system. The working class more and more argues, "Since our interests are contrary to the capitalist's interest at all points, since he is the stumbling block to our getting the full product of labor, we must get rid of him entirely. Even Mr. Gompers talks about giving the laborer a larger share in what he produces. That assumes he is not getting all he produces now. But it is the capitalist who prevents him from getting all he produces. Therefore, the outcome of this feeling of diversity of interest is bound to be an increasing demand for an overthrow of the whole system, which means socialism. There is no industrial stability while this condition continues.

The only fundamental method of industrial stability is that which will bring industrial America back to the position where it was before machine industry came, that is, to a condition in which there will be an actual opportunity for the majority, not necessarily for all, but for the majority of the workers to become in some degree business men.

#### THE FUNCTION OF THE BUSINESS MAN

*Direction and Control of Industrial Processes.*—The function or position of the business man has, as I see it, three important elements. The first is that of exercising direction, control, determining power over the industrial processes which he owns, the industrial processes in which he is engaged.

*Pursuit of Indefinite Gains.*—The next important element is the hope of getting indefinite gains as the result of hard work and efficiency. It seems to me that this is the soul of the theory of private capitalism. Government does not say to the private capitalists or private employers or private business man, "We are going to restrict your profits." It may penalize them through excess profits taxes, but, after all, that is not placing a limit on the amount of profits that they can make. The government says to the business man, in effect, "Go ahead, make all the profits you can. We shall not restrict the amount of them. We assume that as the result of this liberty of making indefinite profits which we give you, you will devise all kinds of schemes for improving production, and for cheapening production, so that in the long run the community will be benefited through the lower prices which they pay for commodities." On the whole, that theory has worked out pretty well, but the trouble is now that so many limitations have been set to it,

so many obstacles in the form of monopoly and trade agreements between people who otherwise ought to be competing that we wonder whether the theory is working now or not. In any case, the freedom given to the manager, to the business man, to make indefinite profits which will depend on his own efforts, is the greatest incentive in the world to work.

*Social Power and Security.*—The third element in the position of the business man is the social power which comes from the fact that he owns property, the self-respect, the security, the self-reliance which are created and kept alive by the possession of property, and which cannot be produced by any other means.

#### IS IT POSSIBLE FOR LABOR TO POSSESS THE BUSINESS MAN'S ADVANTAGE?

These then are the three elements in the position of the business man: direction and control of industrial processes; the pursuit of indefinite gains which depend on his own achievements; and the social power and security that derive from the possession of productive property. It is possible for the laboring class, or the majority of them, to become business men, even with the industrial equipment that we have—with those immense machines, with our immense industrial units. The laboring class can be introduced to the first function, can obtain the first element of the business man's position through labor participation in management, through such devices as the shop committee and works council. I think that this is the most hopeful development that has occurred in a long time. Thereby the laborer will become possessed of the first advantage of the business man—the direction of some of the industrial processes in which he is engaged. He will get the opportunity to exercise some of his directive facul-

ties, instead of being restricted to the exercise of the merely obedient faculties. He will direct some of the industrial conditions which surround him, instead of merely being a carrier out of orders that are handed to him by others. As Dr. Meeker so happily said in a paper that he read before the American Economic Association meeting last December, the psychology of the laborer is not essentially different from the psychology of the employer; "that's exactly what ails him." The great majority of American wage earners still have this inherent power and the desire to exercise it. This faculty is not yet atrophied in the laboring class in the United States.

#### *Labor's Participation in Management*

I was brought up on a farm. My father and his neighbors had to work very hard. The farmers were not making any such money in those days as they have been making recently, according to newspaper accounts, and many of these men could have made a better living if they had gone into the city and become wage earners. They felt that in spite of the hard conditions in which they lived, in spite of all the uncertainty of their position, they were, after all, free men, that they had something to say about the conditions in which they worked. While they complained about being at the mercy of the grain elevator sharks and the storekeepers in the city, and many other oppressors, they knew that there were certain large spaces in which they were determining their own lives. They were not taking orders from somebody else. They were not working according to some standardized scheme of life that somebody else had organized for them. These men were almost illiterate. They could read and write and do a little figuring, but they had an innate desire to direct their own

economic life. It has always seemed to me that they were typical of the people who work hard with their hands, inasmuch as this desire which they had to be their own bosses, as they would say, is a desire that is shared by almost every normal person. The outlet or the opportunity for expression which labor participation in management gives to that fundamental desire is in itself of tremendous importance.

The second element or advantage of the business man's position, that of hoping for indefinite gains which will depend upon his own efforts, can be given to the laboring man, put within his reach, through the device of profit sharing. Profit sharing, as you know, is a very large and complex subject, but the thing is feasible; it has been proved so by almost every employer who has undertaken it in the right spirit, and who has not adopted it as a substitute for wages, or a means of keeping out unions, or for any other sinister purpose. It has been successful wherever it gave sufficient incentive to the laborer to enlist his energy, to enlist his capacity for hard work. If the theory which I have said is the soul of private management of industry, the theory that the business man should have the hope of indefinite gains dependent upon his own efforts, is good for him, why is it not good for the rank and file of workers? They are not different from the employer. As Dr. Royal Meeker says, they have the same kind of psychology as the employer. Then why is it not a good thing to hold out to them the hope of getting something in addition to their wages, provided they produce it?

Finally, the third and most important element in the business man's position, that of actual ownership of property, together with all the social advantages and power and self-respect which it brings, can be brought within

the reach of the laboring class gradually, through labor participation in stock ownership of large corporations, and through out and out complete coöperation in the ownership and management of industries that are susceptible to that arrangement. Since it has been proved possible for the working classes to carry on great coöperative stores and wholesale stores, and the factories which the wholesale stores own, I see no essential reason why the laboring people should not be capable of carrying on coöperative factories. There is not any essential difference, as regards the qualities requisite for successful management.

These changes cannot be brought about in a day or a year, and it is not important that they should. It is important to realize the direction that must be taken, it is important to realize that we cannot in this democratic America and in the twentieth century continue to maintain a system of industrial feudalism, because that,

stripped of all its glamor, is the character of the present system. I do not think it is wise for us to try to reconcile ourselves to such a form of industrial society. We have to get back to the early American philosophy of giving everybody the chance to become a business man within the limits and in the way that I have indicated. There is no middle ground, it seems to me, between the theory that the workers shall have to become to some degree owners and managers, and the theory of industrial feudalism. Between the two theories I think I can see quite clearly which one is going to survive. Remember that there was a time when men thought that there were only a few super-men in existence who were capable of managing political affairs. That theory has disappeared completely, and I believe that the counterpart of it, the theory that there are only a few super-men who are capable of directing industrial affairs, will likewise disappear.



## Industrial Stability and the President's Second Industrial Conference

By GEORGE W. WICKERSHAM

Formerly Attorney-General of the United States

A CONFERENCE called by the President to consider questions affecting the relation of employers and employees in industry was held in Washington, October 6-23, 1919. It was composed of three distinct groups, one representing labor, one representing capital, and the third representing the public. At the outset, it was arranged that each of these groups should vote as a unit upon all questions brought before the conference for determination. The conference was handicapped from beginning to end by the pendency of the strike of employees of the United States Steel Corporation.

### COLLECTIVE BARGAINING

The principal question discussed was that of collective bargaining. After twenty-three meetings, the conference adjourned, not having been able to reach any conclusion. The group representing the public addressed a communication to the President, pointing out that the conference had not, at any time, rejected the principle of the right of the workers to organize and to bargain collectively with their employers; stating also that the difficulty which arose (the issue upon which the conference failed to agree) was not the principle involved, but the method of making it effective. They said:

We believe that the right of the workers to organize for the purpose of bargaining collectively with their employers through representatives of their own choosing cannot be denied or assailed. As representatives of the public we can interpret this right only in the sense that

wage workers must be free to choose what organizations or associations, if any, they will join for this purpose.

They expressed their conviction of the necessity of setting up some machinery for effecting the speedy adjustment of disputes arising between workers and employers, whether the latter be private individuals or firms, or public and governmental authorities. They further expressed the opinion that a small committee selected by the President, composed of persons of varied interests and points of approach, should take up the matter, and prepare, along some such line as that indicated in their communication, a program which would be of present value.

In accordance with this suggestion, the President, during the following month (November) invited a group of seventeen men, selected without recognition of distinctive interests, to meet on December 1, for the purpose, as expressed in his letter of invitation, of having "concern that our industries may be conducted with such regard for justice and fair dealing that the workman will feel himself induced to put forth his best effort, that the employer will have an encouraging profit and that the public will not suffer at the hands of either class." The President expressed the hope "that this conference may lay the foundation for the development of standards and machinery within our industries by which these results may be attained." The conference was expressly relieved from the consideration of any then existing industrial dispute.

The group selected for this conference was composed of the Secretary of Labor, the Honorable William B. Wilson, who was chosen chairman, Herbert Hoover, who was made vice-chairman, three ex-governors of states, two former attorneys-general of the United States, a former secretary of Commerce and Labor, three college professors, two newspaper editors, an efficiency engineer, a railroad official, the head of a large mail order house in Chicago, the counsel of a large industrial corporation, and a retired lawyer and economist.<sup>1</sup> Four of them were residents of the state of New York, four of Massachusetts, two of California, and one of each of the states of Pennsylvania, Ohio, Virginia, Illinois, Minnesota, Kansas and Texas.

#### PRESIDENT'S ANNUAL MESSAGE

Almost coincidentally with the assembly of the conference in Washington, the President transmitted his annual message to the Congress, in which he dealt at some length with the subject of the relations between labor and capital. After pointing out the absolute need of a definite program to secure an improvement in the conditions of labor, the President urged the Congress to help in the difficult task of finding a method to bring about a general democratization of industry, based upon a full recognition of the right of those who work, in whatever rank, to participate in some organic way in every decision which directly affects their welfare.

<sup>1</sup>The members of this conference were: William B. Wilson, *Chairman*, Herbert Hoover, *Vice Chairman*, Martin H. Glynn, Thomas W. Gregory, Richard Hooker, Stanley King, Samuel W. McCall, Henry M. Robinson, Julius Rosenwald, George T. Slade, Oscar S. Straus, Henry C. Stuart, William O. Thompson, Frank W. Taussig, Henry J. Waters, George W. Wickersham, Owen D. Young, Willard E. Hotchkiss, Henry R. Seager, Mr. Hotchkiss and Mr. Seager being *Executive Secretaries*.

It is with this purpose in mind, he said, that I called a conference to meet in Washington on December 1 to consider these problems in all their broad aspects with the idea of bringing about a better understanding between these two interests.

It thus was made apparent to the conference that its main purpose was to seek the best means of promoting better relations between employers and employees in industry, as a condition to the establishment and maintenance of industrial peace and justice.

Warned by the experience of the previous conference, the new body was determined at least to map out its work in executive session. Proceeding in this manner, in about three weeks the conference was able unanimously to reach a practical result in the formulation of a preliminary statement to the public, which was issued on December 19, 1919, outlining the basis of the recommendations which the conference was disposed to make, and upon which criticism and suggestion were invited from any interested source.

After a recess over the Christmas holidays, the conference reconvened in Washington on January 12, and took up for consideration a very considerable body of comment and criticism upon its preliminary statement which, during the interval, had come from newspapers and other sources. Representatives of labor and capital also were called before the conference in executive session, who spoke for large numbers of employers and employees, giving the conference the benefit of very frank expressions of opinion and testimony concerning their experience. After consideration extending over a period of six weeks or more, the final report of the conference was submitted to the President on March 6, 1920.

#### REPORT OF THE CONFERENCE

The conference did not pretend to have found any sovereign remedy for all

industrial ills. It recognized frankly that the causes of industrial unrest were many.

Among others they include the rise in the cost of living, unrestrained speculation, spectacular instances of excessive profits, excessive accumulation and misuse of wealth, inequality in readjustments of wage schedules, release of ideas and emotions by the war, social revolutionary theories imported from Europe, the belief that free speech is restricted, the intermittency of employment, fear of unemployment, excessive hours of work in certain industries, lack of adequate housing, unnecessarily high infant mortality in industrial centers, loss of personal contact in large industrial units and the culmination of a growing belief on the part of both employers and employees that a readjustment is necessary to a wholesome continuity of their united effort.

#### PERSONAL RELATIONSHIP BETWEEN EMPLOYER AND EMPLOYEE

The conference saw in the principle of collective bargaining but one element in a problem of many aspects. They recognized that there was fundamentally on the part of wage workers a deep-seated unrest and dissatisfaction with their condition and the share which they were receiving of the profits of industry.

Contradictory forces are at play with the situation. There is the pressure of the great federated labor organizations on the one hand; there are the great corporate organizations on the other. There are the cross-currents of particular organizations having for their purpose, not the betterment of conditions, so much as the establishment of a different social order from that existing. The atmosphere in which all of these work is that of a disorganized world of slackened industry, suspended commerce, constant labor disputes interrupted transportation and industry, phenomenally high wages and higher prices. The demands of the organizations of wage workers extend from shorter hours of labor, better conditions and higher wages, to the undisguised con-

fiscation of existing property rights in the interest of employees, such as the so-called Plumb Plan for the acquisition and control of railroads, and the undisguised syndicalism and anarchy of the I. W. W. In the face of this seething mass of conflicting aims and action, the individual worker who is desirous of peaceful working conditions, of giving a fair day's labor for an honest wage, on the one hand, and the fair-minded employer, willing to meet those demands and to deal justly and honorably with his employees, on the other, seem to have little opportunity; yet, the hope of America lies in such as these. No progress towards permanent happiness can be made on the basis of perpetual industrial warfare or of spoliation of existing property rights; nor is there, except through the sane process of sober industry, any possibility of the attainment of stable national prosperity.

The conference asserts in its report that the foundation of industrial peace is to be found in the right relationship between employer and employee, and that such relation can be best promoted by the deliberate organization of that relationship. In other words, their view was that the immediate problem before them was not to encourage and promote the division of society into two or more armed camps, but rather to endeavor to minimize and, so far as possible, to remove class spirit, by drawing employer and employee into that personal relationship which would make manifest to each the essential humanity of the other; to demonstrate the oneness of humanity rather than to accentuate the separateness of contending human forces. The conference believed that this end could be promoted by starting with the plant or factory relationship, rather than by giving preference to a recognition of great industrial organizations. They

recognized that with the growth in population, the development of economic industry and the necessity of vast bodies of workers to produce a standardized product upon which modern civilization so largely depends, it has become difficult, if not impossible, that the personal relation between employer and employee of the earlier and simpler days should be continued or restored. But the conference saw in the representative system, which lies at the basis of our own government, a means of providing the best substitute for the direct personal relation. Doubtless, the Saxon Wittenagemote and the New England town meeting furnished the ideal means of conducting self-government in the small communities of the early English and the American colonial days, but the great modern communities of our time cannot meet and debate in town council. They must select representatives, charged with the care of their interests, to [deal for them with the problems of government, reporting to them for their ratification or disapproval from time to time those large and comparatively easily understood problems which control the course of our destiny and upon which the intelligent expression of popular will reasonably may be sought. So it is with industry: the right of the workers to deal with their employers through representatives of their own choosing, must be and largely is being accepted as unquestioned and indisputable.

The conference in their report emphasized the principle that "representatives must be selected by the employees with the utmost freedom." In order to prevent suspicion on either side, they recommended that selection be made by secret ballot. This applies to every form of collective representation. The conference said:

It is idle wholly to deny the existence of conflicting interests between employers and employees. But there are wide areas of activity in which their interests coincide. It is the part of statesmanship to organize identity of interest where it exists in order to reduce the area of conflict. The representative principle is needed to make effective the employee's interest in production, as well as in wages and working conditions. It is likewise needed to make more effective the employer's interest in the human element of industry.

Representative systems, embodying the practical application of this principle under the form of shop councils or shop committees, have been growing up recently in England and in America. More than two hundred of such organizations in the United States were brought to the attention of the conference. Excellent results appear to have been realized by that machinery. The large federations of labor have been disposed to view the growth of these organizations with unfriendly eyes, in the fear that they would constitute disintegrating forces, weakening the control of the nation-wide unions or federations. It may well be that men who are contented with their lot in a given industrial plant, where the workings of shop committees or other representative bodies of the employer and employee have provided effective machinery for removing grievances and averting strife, would be more unwilling than others to join in a strike or walkout in order to assist some other body of workers to compel compliance with their demands, or to aid the officials of some great labor organization to perpetuate or restore their power by bringing the combined forces of all the laborers in a given industry to bear upon employers, irrespective of the existence of any grievance upon the part of the employees in particular plants. But bearing in mind the primary needs of the community, to prevent interruption in production and to secure the continuance of steady em-



ployment at fair wages, and to remove the great economic waste of industrial conflict, the conference saw in the formation and growth of the shop organizations a movement deserving of sympathetic interest and commendation, rather than of criticism.

#### DEVELOPMENT OF INDUSTRIAL STANDARDS

The main duty imposed upon the conference by the President was to lay the foundation for the development of standards and of machinery within our industries, by which may be attained that condition described in his letter of appointment, in which the workman will feel himself induced to put forth his best effort, the employer will have an encouraging profit, and the public will not suffer at the hands of either. At first blush, viewed in the light of the actual existing conditions, this result would appear to be Utopian and unrealizable. To the conference, it seemed that the only avenue of approach to it lay through the encouragement of closer relations between employers and employees, and the creation of machinery adequate to deal promptly and fairly with all differences which may arise between them—machinery which should so establish itself in the confidence of both interests that neither would even consider resort to the crude and destructive methods of strikes and lockouts.

So far as the conference could learn, through the means of information at its disposal, the principal objection to the existing machinery of conciliation and arbitration in industry lies in the delays so generally experienced in reaching conclusions, and in the lack of confidence felt by the workers in the impartial fairness of arbitrators. A prompt decision, even though not ideal, is better than a more satisfactory but belated determination. A party to

a controversy, even though he should fail to secure all that he desires in its determination, can adjust himself to a certainty, whatever it may be, when the period of uncertainty is ended, and go about his work under the determined conditions; whereas, prolonged uncertainty in result emphasizes discontent and leads to dissatisfaction with a decision finally reached which if made sooner might have been accepted with enthusiastic satisfaction. This fact, and the necessity of fair representation of each party upon any body created to determine disputes between employers and employed, were the controlling factors which led the conference to suggest the machinery proposed in its final report.

#### REGIONAL DIVISION OF COUNTRY

The plan suggested in the report of the conference proposes to divide the United States into a number of regions, in each of which there is to be a permanent official known as the regional chairman, and conferences for inquiry and adjustment created to deal with industrial disputes. Panels are to be made up of men and women representative of employers and employees in given industries in each region, and whenever a dispute arises which cannot be settled by negotiation or by existing machinery, provision is made for the submission of the dispute to a regional adjustment conference, to be composed of two representatives of each of the parties to the dispute and two representatives to be selected by each side from the panels adopted for the region, the regional chairman to preside without a vote at the conference. If the conference reaches a unanimous agreement, it shall be regarded as a collective bargain between the parties to the dispute, and shall have the force and effect of a trade agreement. If the conference does

not reach an agreement with respect to a dispute over wages, hours, or working conditions, it is to make a finding of the material facts and state the reasons why it is unable to reach an agreement.

An appeal lies from a finding of a regional adjustment conference, at the option of the parties, either (a) to an umpire agreed upon, or (b) to a national industrial board of nine permanent members to be appointed by the President, sitting at the national capitol. Where the parties do not agree to submit to a regional adjustment conference, provision is made for the organization of a regional board of inquiry, to investigate any actual or pending dispute, and to make and publish a report of the issues, in order that the public may know the facts pertaining to the dispute. At any time pending such inquiry, by consent of the parties, the board may become an adjustment conference whose report shall constitute a binding agreement, as above stated. The conference felt that a clear impartial presentation of the facts concerning any industrial dispute would tend to the creation of public sentiment, which, when informed, is always controlling, in the long run, upon industrial controversies. The conference had to choose between the course adopted in the state of Kansas by the enactment of the Industrial Court Law, and a continuation of the principle of establishing and encouraging resort to machinery for the ascertainment and publication of facts upon which public opinion might be formed. The conference recognized the limitations of legal processes to compel men to labor against their will. Repression and coercion easily become convertible into oppression. While it is, of course, true that the law of criminal conspiracy can be reextended to reach and punish those who deliberately plan and compel the

suspension of essential industry, no state of industrial peace and prosperity can be built upon the attempted coercive control of workers.

#### EMPLOYEES OF PRIVATE INDUSTRY AND PUBLIC EMPLOYEES

The conference drew a distinction in its report between employees in private industry and public employees. As to the latter, it said:

When men and women enter the public service they become a part of the machinery of government, and servants of the people. Continuous and effective service by these employees is not only essential, but constitutes the functioning of government. Even the right of the individual to retire is limited by his duty to give due notice, dependent upon the character of his service, so that there may be no cessation in its performance. Concerted retirement of any particular group from their post of duty may result in the paralysis of important public functions, and is nothing less than a blow at the government itself struck by those on whom rests the obligation of helping to conduct it.

On the other hand, the Conference recognized the right of workers to strike, the undesirability of attempting to coerce them to work against their will, and the great desire of bringing about such relations between employers and employed as to afford no justification for the exercise of that right, and the establishment of a basis of informing public opinion so as to bring to bear that great weapon upon all threatened interruption of industry.

The Kansas plan has proceeded on a different basis. It seeks to clothe with a public interest certain selected industries, namely, the production of food, the production of clothing, and the production of coal. It creates a tribunal for the determination of all disputes affecting those industries, and makes it a crime punishable with fine and imprisonment to interrupt or seek to interrupt their continued functioning. One of the great advantages of the American state federal system is

that new methods of dealing with social questions may be tried out in one or more states under conditions which, if they be unsuccessful, will restrict the area of injury, whereas, if successful, their example may inspire other states to adopt like methods. The Kansas experiment is as yet too young to demonstrate whether or not it can successfully be carried out, even in a state whose industries are largely agricultural. The President's industrial conference was unanimously of the opinion that no such experiment should be attempted in the national field until a far more complete demonstration had been made than was yet furnished.

The report also dealt with many subjects, such as hours of labor, women in industry, child labor, housing, profit sharing and gain sharing, thrift agencies, inflation and high cost of living, public employees, agriculture, unemployment and part-time employment, and public employment clearing house.

It is impossible within the limits of this paper even to summarize what was discussed under those heads. Every one of those subjects figures in an important way in the causes of the present unrest. Perhaps more, certainly as much as any other of those causes, is the phenomenal and disproportionate growth of large fortunes, resulting in a widespread feeling among war workers that they have been unjustly exploited for the benefit of men whom they regard as no better, wiser or abler than themselves. They see, too often perhaps, unjust exactions in long hours of monotonous and uninspiring labor, in order, as they view it, that undue profits may be realized by employers. Too seldom are the employees fairly shown the problems of the employer, and the great obstacles in the way of conducting an industry with reasonable profit to a body of stockholders whose collective contributions

have created the industry. Only the establishment of fair, frank, direct and manly relations between employers and employed can remove the attitude of hostility and suspicion respecting the employer class which exists on the part of large bodies of wage workers in industry.

#### SUMMARY

Whether or not Congress will adopt and put into effect the recommendations made by the Industrial Conference has not yet been determined. Doubtless, nothing can be expected until after the presidential election. Much other progress awaits upon the determination of that event. When the smoke of conflict clears away and men cease to be afraid to give full expression to their beliefs and convictions because of their possible political effect, a calm consideration of the problem, with a view to the best public interests, doubtless will produce some governmental machinery along the lines suggested, or along some other lines intended to provide a practical method for the speedy determination of controversies in industry, and the ending of the present anomalous state of international relations, the recognition of the interdependence of all nations, and a common responsibility for the restoration of normal conditions in the world, may induce a better spirit of mutual helpfulness, of recognition of common interests between those who employ and those who work for a daily wage, out of which there may come, not a greater impetus towards the establishment of a different social order, but a more just and temperate employment of the machinery of our own government towards the attainment of the ideals of American life, which have guided us through a century and a half of progress to a position of unprecedented national prosperity.

## Personnel Administration as an Aid to Industrial Stability

By WALTER DILL SCOTT  
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**F**REQUENTLY a national problem seems difficult because there is no panacea and because its solution depends upon the development of inter-related theories or principles and then the carrying out the practice which is based upon those principles. Allow me to illustrate. Possibly the greatest national problem facing the American people one hundred years ago was the rapid increase of the food supply of the nation. For such a problem there was no panacea. That man made a contribution who formulated the principle that the problem would be solved by bringing into cultivation the millions of acres of land which were supposed to be sterile and up to that time had lain fallow. However, the contribution was not really effective until the practice had made those acres fertile.

A contribution was made in solving this same problem by the man who saw the necessity for more adequate means of transporting food products, but the principle was not effective until the practice had manifested itself in the construction of the railroads. The man who saw that the problem could be solved only by fundamental inventions in farm implements made a contribution, but a greater contribution was made by the man who invented the farm implements. The man who saw the necessity for applying scientific farming to agriculture rendered a service, but the man who made it scientific rendered a greater service. The food supply problem was largely solved, not by any one principle or one practice, but by the inter-relation of principles and practice.

Thirty or forty years ago our greatest national problem was that of expanding markets. The man who saw that we could expand our markets only by extending our systems of credit, by changing from a cash to credit system, formulated a principle that was essential, but the practice based on that principle made the real contribution. The man who saw that it was necessary to have large centers of distribution made a contribution, but the man who made the department stores, the chain stores, the mail order houses and the jobbing houses brought about the actual fruition which is based upon the principle. We could go on from one national problem to another and show that the solution in no case was a panacea, but was brought about by the practical working out of the principles which underlie that particular problem.

Today, the greatest problem facing America, if not the world, is that of stimulating the worker to do his best, of securing the coöperation of those on whom we depend to do the world's work. Our problem is one of personnel administration. The principles and practice which were effective in solving our other national problems will not solve this one.

### PRINCIPLES OF PERSONNEL ADMINISTRATION

Attention should be brought to three of the fundamental principles of personnel administration that underlie our problem, and to the fact that practice based on these principles are essential steps in securing stability of labor.



### *Placement of Worker*

The first principle is this: *Every worker should be placed in that position where he has the best possible chance to make the most of himself.* This must be interpreted as consistent with the larger interests of society as a whole. Our practice is diverse from this principle. Thus one practice which may seem far afield but one which played a very large part in the history of the world is a caste system, such as that of India, where "by the will of the gods" people are placed in a particular calling. Similarly the guilds of Europe determine the vocations which a person should be allowed to enter. The mere proximity of the job and the available jobs have played too large a part in our practice. Lastly, social approval of certain jobs and disapproval of others play a very large part at present in vocational placement in America.

If we should attempt to analyze the reasons which have brought us to the jobs that we now occupy, we might find that the general practices here referred to are significant factors.

### *Practices for Placements in Industry*

Here are some of the practices which have been believed in and followed by wise men in all ages for placements in industry. No man believes in very many but most men believe in some. Astrology, augury, chance as manifested in drawing of straws, casting of lots or the flipping of a coin, chiromancy, chiromancy, character analysis, divination, fortune-telling, horoscopes, hypnotism, intuition, magic, mediums, mind-reading, necromancy, omens, occultism, oracles, palmistry, phrenology, physiognomy, premonitions, psychological tests, sooth-saying, sorcery, sortilege, sub-conscious hunches, stigmata, talisman, trade tests and telepathy are some of these practices.

If we do not follow these practices

in placing the individual in employment then we must depend upon the judgment of the maiden school-teacher, the indulgent mother, the ambitious father, the listless recruiting officer, the mercenary employment agent, or worse yet, the indifferent employment clerk. Vocational guidance has been wholly unscientific and unsatisfactory. People have not been placed with adequate care. Our practice has fallen far short of our principle. Indeed, our practice cannot come up to the principle until the necessary preliminary steps have been taken. These preliminary steps may be analyzed.

### *Judging Applicants and Workers*

We cannot place people wisely until we have developed a skill and a technique of judging applicants, whether that judgment be based on previous experience, whether it be based on the desire of the individual and his interest, whether it be based on some objective measurement of skill or of capacities—or an interpretation based upon actual accomplishments in present tasks—or whatever it is, we must develop a technique of judging people before we begin an adequate system of scientific placement.

### *Job Description*

We cannot place people in positions until we know the positions; that is, we must make an adequate occupational description of every job in the house to which the person appears as an applicant or in which he exists as a worker, before we can place people where they belong. That description must include many items, *e.g.*, the experience essential; the duties and responsibilities; the conditions under which the work is performed; how each particular job falls in with the other parts of the organization, the kind of a man necessary, the inducements pro-

vided. A whole list of items must be provided on every job before we know whether any particular individual is adequately adjusted to that position.

We cannot place people wisely until we have instituted a personnel staff with adequate training and interest to make a study of employees and applicants, and a study of the jobs; and with authority to place the workers where they belong, and to provide opportunities for change and promotion.

When we have taken these steps we are then in a position to begin to place people where they may be contented, where they may render the greatest service to the company and where every individual will have the best possible chance to make the most of himself. Labor will not be stable until we have adequate placement.

#### *Education in Industry*

*Old Attitude.*—The second principle to which I want to call attention is that *education should be continuous throughout the period of service.* I speak of the individual as a worker, the individual as a member of the organization, the individual as a member of a family, the individual as a citizen of the state, the individual possibly as a prospective junior executive. In our practice on the problem of education in industry we have placed a great gulf between education (or school) and work. Education is an isolated thing, apart from practical life. There is no relationship between the school and the plant, between theory and practice. Education is identified with the learning of reading, writing and arithmetic—with the acquisition of knowledge, more or less useful—with committing to memory the deeds of our ancestors, more or less worthy—with the perpetuation of culture, whether that culture be interpreted to mean Greek, Roman, Chinese, or Germanic;

art for art's sake; culture for culture's sake; pure learning uncontaminated by practical application. Keep the school away from business; they have no relation to each other. That is pretty largely our practice, as far as education in industry is concerned today.

*New Attitude.*—According to our modern principles, education is a profiting by experience and continues throughout the entire period of service. We do not graduate and have all the learning we are ever to get and then begin work. We should begin work early and go to school always. There is no gulf between the school and the office.

In reading Homer it is quite possible that the boy may be getting an education. He is if he is profiting by his experience, so that he can read more Greek, and come to learn a new civilization, improve his own vocabulary, or in any other way profit by his experience, but unless he does, reading Greek has no educational value. The young man in the plant may be profiting by his experience faster than the student in the schoolroom. The one standard is profiting by experience.

*Responsibility of Employer.*—The employer today must stand in a position of very great responsibility if this ideal is to be carried out. He must provide the experience that has educative value and he must stimulate the worker to respond to the situation and profit by the experience.

We know that in college we may provide educative experience and get no response, and, on the other hand, a situation which may seem to be quite sterile may result in an adequate response. However it is no excuse to say, "Well, my workers aren't interested in the work, they are shiftless, they know they can get a better job across the street. They don't care anything about it and they don't profit by experience."

That is no excuse. The worker will be dissatisfied unless he can feel that his education is continuous and that today he is a better trained man than he was last week, and believes that if he stays with the company another year his training will be much more complete than it is now. Regardless of age, regardless of the job, education should be continuous throughout the entire period of service and it should include and have regard for the worker as an individual, as a member of the organization, as a member of the family and as a citizen of the state.

#### *Appealing to the Individual Worker*

The third principle involved in producing stability, to which I want to call your attention, is this: *We should make appeals to many incentives to action, and to those incentives which make the strongest appeal to that particular individual.* We need to emphasize the necessity of a manifold appeal and the appeals which fit that particular individual.

I should like to prove in practice that we do not do it that way—how in an age or a particular class we make our appeals primarily through one stimulus, and in another age through another. We speak historically of the industrial world as a whole. I think we can say that primarily the stimulus to action in industry has been fear. This fear may have been provided by the slave driver, by the master, by the boss, by the fear of losing the job, by the fear of hunger, by the fear of poverty, but, historically, fear in some form has been the great motive in the industrial world.

In the army, where we have had to deal with millions of men, we rest primarily on discipline, and discipline may be interpreted as habit backed up by fear. In athletics the stimulus on which we depend has been primarily that of competition. Occasionally it

may be loyalty to the team, to the club, or to the alma mater. We can go on and analyze situation after situation and you will find in one case that an appeal is made to the logic of the situation, and in another to the sentiments. It may be to the ambition, it may be to the creative impulse, it may be respect for the family's good name, it may be for social approval, it may be an appeal to the lower self or to the higher self, it may be anger or fear, or it may be to escape one thing or to gain another. The human individual is the most complex mechanism of which we do know anything at all, and may be appealed to in many ways, but in industry today, we depend almost completely upon the logic of the pay envelope.

In the ancient world industry could probably not have been secured without fear, but good results were never secured without something in addition to fear. In the army we probably could never get results without discipline, but we are convinced that we can never get good results in the army if we depend exclusively upon discipline. We need to make appeals to the higher nature. We need to make appeals that, under the circumstances, bring results to the individual and to the situation. Here is an illustration of making the right and the wrong appeal.

A boy from the mountains of the south appeared in the camp during the period of war as a radically conscientious objector, and the dictum had gone out, "Treat 'em rough." In fact, the commanding officer in this case said, "Give him hell." This mountaineer with that treatment would in a few days have been sent to Leavenworth as incorrigible. That one treatment of "Treat 'em rough" for the conscientious objector worked in many cases, but it would not work in this case. Then a new officer was put in charge, one who tried new tactics. He ap-

pealed to this conscientious objector on the ground of duty and loyalty, that it was his duty to advance the Kingdom of God on earth and to fight against the enemy of truth, and he yielded to that treatment and went to the front. And in a single day with his own rifle and revolver he shot 60 officers and privates in the German Army and brought home 183 prisoners. He was the hero of the American Army. The motive applied was the motive which appealed in that particular case. A shift of motives changed that man from a criminal to the American idol and the greatest hero of the American Army. In industry today we have a lot of trouble makers, agitators, loafers, people who are not interested in the job, but some of them are as they are because of the treatment they are

receiving. There are some who could be converted into Sergeant Yorks of industry if they were handled as wisely.

I have called attention to three of the principles of personnel administration and to the accompanying practices. If we are to stabilize industry, if we are to be fair to the worker, fair to industry and fair to society as a whole, we must see that every worker is placed where he has the best possible chance to make the most of himself. We must make the most of the worker by making his education continuous throughout the period of his service. We must enable him to do his best by giving him the most adequate stimulus to action. The task of personnel administration is not the job for a small man or a pessimist. It is a job for a big man and an optimist.



# Industrial Unrest Caused by the Changing Measure of Value

By HENRY KIMBALL LOUD  
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**I**NDUSTRIAL stability depends upon proper mental conditions as well as upon proper material conditions in the industrial population and in the population served by industry. To say that the mental condition of the industrial population is tremendously disturbed is merely to state a commonplace. The disturbance of mind, however, is general throughout the population of this country and of the world. A study of the causes of this unrest and a search for methods of controlling the conditions underlying it are of first importance among present day problems.

## INCREASING COST OF LIVING MAIN CAUSE OF INDUSTRIAL UNREST

The main cause of this unrest is the increasing cost of living which keeps draining out the purchasing power of the incomes of the great mass of the population, whether received as wages, salaries or interest. This naturally causes unrest and discontent. It will continue to do so until the conditions are changed which are doing the harm. Strikes, class hostility, political upsets, radical legislative and social experiments, and in some countries rebellions, revolutions and wars, are the logical consequence of the unchecked tendencies now existing in this country and Europe. If ever in the world's history clear and constructive economic and social thought was called for, it is now.

High prices or low prices, or better, a high price level or a low price level

in itself means nothing of importance to a population. China's population with her low price level should be very prosperous and wealthy, if a low price level is an advantage. On the other hand, the Russian population should be very prosperous if a high level of prices is desirable, their prices having multiplied many times in recent years. As a matter of fact, there is great disturbance in all civilized nations, no matter what their price levels are or have been, because of the increasing cost of living which accompanies the rising price level. It is not the *high* cost of living that is doing the damage, but the *increasing* cost of living measured by the average price level of commodities and services.

The reason that an advancing price level causes unrest and passive or active hostility is because of the decreasing purchasing power of the monetary unit in which wages, salaries and interest are paid by law and custom. If wages or salaries rose as fast as prices, there would be no damage to any class except to those whose incomes are based on a fixed rate and those who hold long time contracts of indebtedness payable in current monetary units. This includes bond holders and mortgage holders. Governments lose in decreased purchasing power of income received, but gain by the scaling down of their indebtedness. The dollars, repaid when the indebtedness matures, buy less than the dollars given when the loan was made. This simply robs the creditor of the return

which he expected to receive. Life insurance proceeds now purchase only one-half of what they would have realized before the war and this works a great and unintended hardship on an especially defenseless part of the population.

The great trouble is that with an advancing price level, wages, salaries, interest, rents and taxes do not advance together. The prices themselves do not advance together. Wholesale prices rise quicker than retail prices and the various commodities advance at different times and rates. Lumber, for example, has only in recent months shown a spectacular advance, having lagged behind in the race for large profits and quick returns. Those who advance prices the most rapidly and in the greatest amounts profit by the slowness of the others.

#### THE PLIGHT OF FIXED INCOMES

The greatest gains, however, to business men ("enterprisers") and speculators arise from the relative slowness with which wages, salaries, railroad rates, taxes, rents, interest and other fixed charges rise compared with the prices of commodities. The result of it all is that tremendous and unexpected returns have come to business men and speculators. Average *real* wages (measured in purchasing power) actually decreased during the war.<sup>1</sup> In some industries wages have more than doubled during the war and since then, thus keeping even with the advancing prices or even gaining a little, but this is not the case generally. The wage earner is like a man rowing against a swift current. He seems to be making rapid progress through the water but finds that he is making hardly any progress along the shore. This is discouraging and tends to make him lose interest in his work.

<sup>1</sup> Fisher, Irving, *Stabilizing the Dollar*, p. 56.

The plight of salaried people in industry and elsewhere is much worse than that of wage earners, increases in salaries being far below the increase in the cost of living. Salaries are much slower to rise than wages and the result is that great numbers of salaried men and women have left their positions in the hope of bettering their incomes, which have kept on decreasing in purchasing power in spite of additions given at long intervals. Teachers in colleges and schools have left for other lines of work. Postmen, policemen, firemen and other public employees have left the service in great numbers, holding a grievance because of being forced out of their chosen vocations. Few realize that the salary of the President has been practically cut in half during the last four years. The same has happened to the judges of the supreme court and all other courts, to senators, representatives and legislators, to the governors and other state officials, county officials, city and village and township officials, with many others too numerous to mention even by general classifications. Many able officials have resigned because their income is now too small for them to live up to the standard demanded by their positions.

These losses weaken the machinery of civilization. A police strike has actually taken place in one of our large cities and unions have been formed among public school teachers. Salaried people, the "salaried" as they are coming to be called abroad, are also beginning to move in the same direction. When these classes are hostile or discontented, the outlook is very bad for the nation and society generally. It means that people of wealth and power are being separated from those who formerly stood with them.

Besides these classes who form such

a great and important part in industry and its environment, there are the persons whose rates of income are fixed by contract or law. This includes bondholders, preferred stockholders and insurance policy-holders, the value of whose income has been cut in two during the last five years. Then there are stockholders in the public utilities, including railroads, street railways, water, gas and electric light companies. Their real incomes have been cut from one-third to one-half during the same period.

The loss on the railroads while under government control was due mainly to the fact that wages and material costs doubled while their rates were increased less than one-third. They have gone back to private control with government guarantee that rates will be increased enough to allow them to receive a certain return on their capital. There is now a terrific congestion of freight due to shortage of equipment and improvements. This came about only partly through the war. For many years the rates allowed the railroads have not been sufficient to give them the ability to make the proper expenditures for extensions and equipment.

Purchasing power decreased in the years before the war nearly 3 per cent per annum, according to Professor Irving Fisher. From 1896 to 1914 prices rose about 50 per cent. Between 1914 and the armistice in November 1918, prices doubled. Since that time prices have advanced another 25 per cent from the 1914 basis. The advance is continuing at a rapid rate. In Europe the same general conditions exist except that the rise is greater and more rapid. A dollar now buys only what thirty cents would buy in 1896. Why save money when its real value runs out many times faster than the interest accumulates?

The general result is that a tremendous amount of the nation's purchasing power has been taken from the mass of the people and transferred to a relatively small class of business men, stockholders and speculators. The business men include many farmers, though the farmers have a grievance in that the price of wheat was set after the country entered the war and has remained the same, while everything that they buy has increased in price. The amount of this injustice is estimated at many billions of dollars per year and is a tremendous matter, both in its material aspect and because of the bitter discontent and resentment which it has caused throughout the nation.<sup>2</sup>

We have interfered with our standard of value. We have depreciated it, depreciated it so that prices are two and one-half times what they were at the beginning of 1914. The average level of wholesale commodity prices stands two and one-half times what it did January 1, 1914.

That has been a huge social injustice. The thing that has done it has been the inflation of bank credits and bank currency. It has come about unwittingly. People have not understood how it was coming, what it was, how it was affecting them.

And the hurt has been terrible. This hand of inflation has reached back into every savings bank account that there was in 1914 and has clipped those dollars until there is only 40 cents of them left.

It has rewritten every insurance policy so that the purchasing value of the principal is to be measured in 40-cent dollars and not 100-cent dollars.

It has rewritten every corporate bond down to two-fifths of its former value in purchasing power, and in that way has taken from the people what has been estimated to be a hundred billion dollars, and then with the other hand has thrown it broadcast, given it to speculators, given it to you manufacturers where you have not looked forward to it. Anybody who bought raw material found that raw materials rose so that he could sell his product for more than he dreamed he could get on the stock.

<sup>2</sup> From speech by Frank A. Vanderlip, New York banker, as reported in *The Detroit Free Press*, April 10, 1920.

Everybody who bought goods and held them found the price rising and profits accruing that they had not earned, that were taken from somebody else. They are theirs rightfully enough because they could not avoid them.

And then it created the profiteer. In a period of rising prices when nobody knows just what could be charged or should be charged, the profiteer breeds. He is made by the rising prices; he does not make rising prices.

And that social injustice has extended into industry. It has been one of the chief reasons for industrial unrest. For wages did not keep up with the rise of prices; it has taken hold of the throat of every school teacher, of all those receiving fixed incomes who could not raise their incomes but found their expenses increasing.

And what has been taken from them has been this money that we are spending so gaily, being extravagant with, because it went into the hands of people who got it easily, and who parted with it easily.

There has been that tremendous transfer of wealth as the result of applying this changed standard of value to the measurement of money contracts, to the measurement of incomes that were fixed, making a 40-cent dollar out of a 100-cent dollar.

All these disturbed material conditions in industry and around it have caused disturbed mental conditions. The worst factor in this mental disturbance is the widespread feeling that these material conditions are based on injustice. The hostility toward profiteers, landlords and employers is a reaction from this feeling of wrong suffered by one class at the hands of another class. Political issues are beginning to define themselves along class lines, which is a new and startling development in this country. The political activities of the Non-partisan League (farmers) of Labor within and without the Federation of Labor, of Socialists and the increasing cleavage of the Republican and Democratic parties into progressive and conservative wings are of great significance. They do not rest upon accident but are mainly due to the general sense of serious social injustice underlying present conditions.

When hand and brain workers find

that their incomes are continually decreasing in purchasing power, so that they feel they must obtain more from their employers, they are greatly disturbed in mind. To keep asking for more at frequent intervals is very distasteful to most men and many leave their positions rather than do this. This is especially true of salaried employees. Then there are the strikes which are continually breaking out. These are very disturbing, not only to those directly concerned but to the whole nation as well. Great mass movements, such as the Steel Strike and the Coal Strike, threaten to shake the industrial and social structure like a civil war. Transportation strikes seem to be always just on the edge of breaking out. Who is bold enough to say that they have really been settled and will not break out again in the near future, if the rise in the price level continues month after month and year after year?

In addition to these general disturbing factors, people are being constantly jarred and irritated by rises in prices everywhere they turn and by the resistance to any advances that they themselves make on their goods or services. Each advance is looked upon as an imposition, price indexes being unknown to or misunderstood by most people. Many of the advances are impositions. Profiteering is part of the trouble, but not the main part, which in my opinion is inflation of the currency by the addition of enormous amounts of gold, paper money and liberty bonds since the beginning of the war in 1914. As a medium of exchange the currency is quite satisfactory, but as a measure of value it is not satisfactory and must be brought to reasonable stability in order to carry on the activities of civilization in a normal manner.

The war is directly responsible for



some of the mental excitement, but has probably stimulated desirable trends of thought in the country much more than bad tendencies. There has no doubt been considerable slowing up from the high tension of industrial production during wartime. The effect on the five million soldiers who were suddenly taken out of their accustomed environment was unsettling in many ways, but they returned to peaceful pursuits without disturbance. My belief is that most of them came back more loyal to the country and more willing to do their share of the country's work than before they went away.

#### PURCHASING POWER OF THE DOLLAR

Under-production has been stressed to such an extent that it has become almost a fixed idea, not subject to question, but statistics covering quantity do not show any great falling off in production. On the contrary they show that national production is about normal. Mr. Hoover's recent article in the *Saturday Evening Post* indicates that while production for 1919 decreased about 12 per cent from 1917 and 1918, it is from 3 to 9 per cent above 1913, 1914 and 1915. It is worthy of much thought, however, that with five million men out of industry in 1918 the national production should be greater than before or since the war. Furthermore, many more women are now in industry than formerly and there is no lack of employment. Prices have gone up year by year since 1915 until they are more than doubled and the cost of living has just about doubled. There are no production figures to justify this on the basis of scarcity. The explanation is not there but is in the dollar, which has changed as a measure of value, decreasing one-half in purchasing power.

What we need is a dollar that will

buy the same average amount of goods as long as average general production is the same. If a store should keep decreasing its yardsticks, measures of weight, quantity, etc., so that it was found that each year one-eighth less of everything was given to its customers, the police would have great difficulty in protecting that store. Yet that is what has happened with the dollar which measures everything that the people purchase. Starting with July, 1916, its purchasing power has shrunk about 13 per cent each year for three years. From July, 1919, to January, 1920, it has shrunk about 6 per cent and is still shrinking. Dun's price index shows a rise of 18.8 per cent from April 1, 1919, to the same date this year, and it shows a rise of 1.9 per cent during March of this year.

To keep from "progressing backwards," wages, salaries and other incomes must increase accordingly, say one-seventh annually on the 1916 basis.<sup>3</sup> This opens up a future prospect of necessary adjustment with employers, which is very depressing to all concerned. The employers are not happy, as they cannot read the future and fear that a price reverse may start at any time, beginning with the usual monetary crisis and followed by business depression. The crises of 1907, 1914, 1873 and 1893, with smaller ones in between, are too recent not to form a dark background to the thoughts of business men. There are few of them who would not gladly choose much smaller returns than their present profits, if they could only depend on them. Experience says they cannot do so, and the result is that they make all the hay they can while the sun shines.

The business man's cost statements lose much of their meaning because the unit of value used in them changes

<sup>3</sup> Babson's Report, Jan. 20, 1920.

so rapidly. The same applies to the employee, who does not know just how much the price level has changed. The result is that, lacking a stable basis, both try to get all they can and give no more than they think they must. The idea of fairness has largely disappeared for the simple reason that nobody knows just what is fair. Each side feels that the other is unfair and so the breach widens.

"Money in circulation in the United States rose from three and one-third billions in 1913 to five and one-half billions in 1918, and bank deposits from thirteen to twenty-five billions, both approximately corresponding to the rise in prices."<sup>4</sup> Of this latter amount of currency, about two billions was gold and three and one-half paper. In December, 1919, we had about six billions, the addition consisting of paper.<sup>5</sup> In addition to this there is undoubtedly a tremendous amount of liberty bonds being used as currency. Any part of the total amount of bonds (26 billions) may be used as a basis of paper money when the bonds come into the Federal Reserve Banks as collateral or in other ways. The possibilities along this line are very disquieting. The proportion of gold to paper has decreased since 1913 from nearly 100 per cent to less than 50 per cent. The federal reserve system is now close to its legal limit of 40 per cent and it is of great interest and importance whether the thinning of the currency stops there or whether we follow the European nations out on to the stormy sea of irredeemable paper money.

#### *Inflation*

The rise in prices has followed the increase in the currency much too closely to leave any doubt that it is the

main factor of disturbance, and a study of the statistics does not show that the war (by exports, etc.) or under-production have been the chief causes, or even that their variations have paralleled the rise in the price level. We are simply experiencing a rise similar to many historical instances following great additions to the currency, either of money metals or paper. Paper inflation is the worst form of currency inflation, however, because when the bubble finally bursts through loss of the people's confidence there is nothing left. Money metals have substance and represent real labor and much desirability in themselves.

The present loss of confidence in the money and bonds of the United States is another serious consequence of the thinning of the currency and the advancing price level. Talk of "50-cent dollars" is quite common nowadays and provokes no comment, which is a great change from the campaign of 1896 with its victorious slogan of "honest dollar" and solemn declarations of statesmen that they stood for a "dollar equal to one hundred cents" (in gold). Compared with that dollar our present dollar is equal to thirty cents (in purchasing power). On this line of reasoning a milkman who had watered the milk might tell his irate customer that he stood for an honest quart of two pints; perhaps adding to himself that he would thereafter carefully strain out the minnows. What purchasers are interested in is the value of the dollar in purchasing power. The decline in the market value of liberty bonds disturbs many of those who purchased them. The explanation is simple. The purchasing power of the dollar which the bonds promise to repay is less now than of the dollars which were loaned to the United States. The interest coupons also purchase less than they did at first.

<sup>4</sup> Fisher, Irving, *Stabilizing the Dollar*, p. 34.

<sup>5</sup> *Literary Digest*, March 13, 1920, p. 44.

But people do not understand this, or if they do, are irritated because of the facts and lack of remedy.

When people lose confidence in the money bearing their government's name, and in the bonds which are the solemn promise of that government to pay, the general idea of government is weakened in the minds of the people. These are the conditions confronting the United States today and unless we control them properly, reactions similar to those in Europe can be expected. This saying is attributed to Lenine: "The best way to destroy a capitalistic state is to debauch its currency." The genius of the American people will make necessary changes in an orderly manner and neither Lenine nor his ideas will destroy our country or our government. However, when the unit by which values are measured shrinks 50 per cent within four years and is still decreasing rapidly, we have a condition that must be dealt with, and without delay.

A dollar whose purchasing power stays reasonably constant with a properly weighted index of commodity prices is what is needed. There must be some method of attaining it and America should be the first to find it. The United States is a great self-governing nation and an independent economic unit. Its natural resources are wonderful and the people are intelligent, industrious and efficient. It is a senseless crime against the people and against civilization to allow this destructive condition to keep on to its final and logical end—financial and industrial collapse with a possible upset of society.

Professor Fisher's plan as set forth in his book, *Stabilizing the Dollar*, is a simple and apparently practicable plan, embodying many years of thought and study. It should be studied by all who feel the importance of this

great problem and great efforts should be made to bring it (or a better plan) into national legislative enactment.

It is based on the idea of paper money with gold redemption, but changing the amount of gold in the dollar periodically, in order to offset and correct the changes in the price level as shown by a price index like that now published by the United States Bureau of Labor Statistics.

Widespread purchasing power is one of the greatest assets that a nation can have and is one of the chief reasons for America's great wealth and prosperity. In an economic unit there must be enough purchasing power given out in industry to buy and consume its output. Otherwise the surplus clogs the machinery of production, at times almost stopping it entirely. This leads to exports of goods that could be consumed at home and to struggles with other nations for foreign markets. It also leads to the existence of a class of wealth controllers whose families and parasites employ their talents as spenders in trying to dispose of the accumulated purchasing power in luxury, useless properties and useless activities.

The great pyramids and temples of Egypt were probably an unconscious attempt to dispose of the surplus production of an industrious population. Prosperity of a sort no doubt resulted, but it rested on the surplus taken from a great population of slaves and renters of farms. It is no ideal for Americans. America stands for a square deal, which implies a fair division of the industrial production. Fair division requires a fair measure of value and one that does not change. At present, we lack this most needful, measure of value, but it will appear in due time through earnest thought and effort.

A stable measure of value will make

fair settlements possible and the settlements will not be upset in a few months by changes in value. Adjustments can then be made slowly and safely as fundamental conditions may indicate. Agreements between employer and

employees, creditors and debtors can be made and kept. Most of the present mental unrest will subside and other national and industrial problems can be discussed and adjusted in an orderly, fair and American way.



## Promotion Needed to Give Motive in Civil Service

By HERBERT E. MORGAN

United States Civil Service Commission

IT is a far cry from Maeterlinck's poetic drama, *The Bluebird*, to anything so prosaic as a government office; yet the blind quest of Tytyl and Mytyl in the play is typical of the unseeing policy of the United States government in going out into the highways and byways, often the political highways and byways, for its supervisory civil officers, overlooking subordinates with years of experience in the branches of the service in which the appointments are made, who might be promoted to the higher positions with profit to taxpayers.

Can the duties of a collector of customs, a collector of internal revenue, or a register of a land office, for example, be learned in a better place than in a custom-house, an internal revenue office, or a land office? They cannot.

### THE GOVERNMENT STAFF

The largest single employer of men and women in this country is the United States government. The executive civil service of the United States now employs approximately 650,000 workers, or one in 166 of our entire population, including the insular possessions, or one in 73 of all residents on American soil anywhere, ten years of age or over, engaged in gainful occupations. These calculations are based on recent estimates of the Bureau of the Census in anticipation of the results of the fourteenth general census.

Quite 100,000 of the 650,000 federal civil servants, however, receive small compensation, or none at all, from the government. About 42,000 are postmasters at fourth-class offices, whose

pay averages about \$300 or \$400 a year. Each of these is required to have a designated assistant, to act in case of the absence of the postmaster. The assistant at a fourth-class post office usually is a member of the family or an employee of the postmaster and receives no compensation from the government. Several thousand other federal civil employees receive small salaries for part-time work.

The largest single branch is the Post Office Department with nearly 300,000 employees. The War Department has more than 125,000 civilian employees, the Navy Department about 90,000, and the Treasury Department about 60,000. No other branch has as many as 25,000 employees.

At the height of the war expansion about 850,000 civilians were employed in the federal executive service. Further reductions are to be expected, but it is certain that the pre-war figure of less than 500,000 never again will be reached.

No one knows just how much money the government pays out annually in salaries. If the average compensation is \$1,100, the federal civil payroll now amounts to more than \$700,000,000 annually. It is estimated that the average salary earned by federal employees in the District of Columbia in 1919 was about \$1,320. The general average is placed at \$1,100, a figure probably too low, because of the large number of low-salaried or non-salaried positions in branches outside the District of Columbia.

Any institution that employs one in 73 of all our workers and calls for

the expenditure of such a large part of our annual revenues is entitled to the most serious consideration.

#### GOVERNMENT EMPLOYMENT METHODS

The employment methods of the government could be improved. Under the civil service law of 1883 a good system of competitive examinations and appointments on merit has been built up for the classes of positions covered by the law. But beyond certification by the Civil Service Commission for appointment of those applicants who are proved by examination to be eligible, the merit system is not fully operative even in connection with the positions to which it applies. Haphazard practices in assignments of work and in promotions, over which no central authority has jurisdiction, have brought about inequalities which are discouraging to the workers. This condition and the relatively low salaries paid by the government cause a "turnover" in government forces that could not long be withstood by a private business.

The readjustment of government salaries in the District of Columbia has recently received the attention of the Joint Commission on Reclassification of Salaries, which was authorized by a provision in the legislative, executive and judicial appropriation act approved March 1, 1919. The report of this commission is now in the hands of Congress and its fate remains to be seen. The report represents many months of hard work and an earnest effort to present data which will enable Congress to understand conditions as they exist. If the results of this careful investigation prove satisfactory it is expected that the inquiry will be extended to the branches outside the District of Columbia, in which six-sevenths of the force, or about 550,000 workers, are employed.

In all plans for the betterment of the civil service, however, there seems to be a failure to recognize the anomaly presented by our administrative system of filling certain inferior positions through the test of merit under the civil service law, and excluding from the scheme great numbers of the higher offices, which should stand as a reward for meritorious service, but which in fact are often held as payment for service to the political party in power. Here the government fails to take advantage of an opportunity to add materially to the strength and efficiency of the civil service. This failure and the lack of uniform regulations for promotions on merit under competent supervision form a weak part of the government employment plan. The effect of practices so lacking in the essentials of good administration is not on the worker alone; the institution is the great sufferer. No lengthy argument should be needed to convince any intelligent person that the prospect of advancement through merit to the supervisory offices would tend to improve the quality of applicants for government employment.

#### SCOPE OF CIVIL SERVICE LAW

The present civil service law was enacted to correct the evils of the "spoils system," which had become intolerable. That the plan provided by the law, that of appointments through competitive examinations for certain positions, has been a vast improvement over the old patronage method is generally conceded; but the law failed to be a completely effective instrument by not providing for the application of the merit system to the more responsible and, therefore, the more remunerative positions.

The law specifies that positions requiring mere unskilled laborers and those which are filled through nomi-

nation by the President for the confirmation of the Senate are not to be classified thereunder. Most of the higher supervisory positions in the civil service come within this latter class.

The administrative offices, aside from the Cabinet, which do not come within the scope of the civil service law, are postmasters at offices of the first, second and third classes, collectors of internal revenue, collectors of customs; registers, receivers, and surveyors general of the land office; assistant treasurers; surveyors, special examiners, appraisers and naval officers in the customs service; superintendents of mints, assayers in mints, supervising inspectors in the steamboat inspection service, commissioners of immigration and naturalization, assistant secretaries and heads of bureaus of the departments at Washington, etc.—about 13,000 positions in all. Some of these pay salaries as high as \$12,000 a year.

#### RECENT IMPROVEMENTS

That some presidents of recent years have believed that the service can be improved by the extension of the merit system is evidenced by the regulations promulgated by President Roosevelt in 1906 and by President Taft in 1909. These regulations provide for filling positions in the consular and diplomatic services (not ambassadors and ministers), and making promotions in those services, through competitive examinations, and an executive order issued by President Wilson on March 31, 1917, which requires that positions of postmaster at offices of the first, second, and third classes shall be filled in the same manner. The procedure of submitting nominations to the Senate for its confirmation is not discontinued, for it is required by law, but the selection of the nominees for

these positions is made through competitive examination. The machinery of the Civil Service Commission is being successfully used by the President to test the qualifications of applicants for positions of postmaster at first, second and third class offices, and the commission assists the State Department in the examinations of applicants for the diplomatic and consular services.

These executive orders were important steps in the right direction. In the case of postmasters, the order would have been a seven-league step if it had provided for a system of promotions, rather than one of appointments of men untrained in postal business, albeit the order removes postmaster positions from politics. In recent years there has also been some tendency to re-appoint, after a four-year tenure, an official who has proved worthy. In comparatively few cases, however, have the important offices been filled by promotion from the ranks. Indeed, employees of the government who hold their positions as the result of competitive civil service examinations are reluctant to accept appointments outside the operation of the civil service law, for with a change of administration the application of the patronage system is likely to deprive them of the fruits of years of effort. George B. Cortelyou and Frank H. Hitchcock were conspicuous exceptions. Both of these men rose to Cabinet offices from positions in the classified civil service.

#### WASTEFUL METHODS

The tendency of the government to emulate the children in the play is most wasteful. At best, the proper training of an administrative officer of the government up to the point where he may have a vigorous grasp and accurate knowledge of his duties is very

costly. Under the present system, however, the chief often enjoys a sinecure, his principal subordinate being the real executive. The chief's salary is a total loss to taxpayers. The time consumed by the President in considering candidates and by the Senate in debating the suitability of nominees is not to be overlooked. That large numbers of positions of this class are still linked with politics is a serious handicap all around. The relinquishment of patronage privileges would be of distinct advantage even to those who seem to regard them as a valuable possession, for a political appointment usually results in a number of disgruntled candidates and one ingrate.

It would be no less sensible for a private corporation to conduct its affairs with a view to political rather than business reasons than for the government to do so. The vital difference between the business of a private corporation and that of the government, however, is that if at the end of a fiscal year the corporation finds itself facing a deficit it cannot call upon the citizens of the country to meet it through a tax levy. The ability to do this makes it possible for the government to transact its business in a most unbusiness-like way. How long will the accepted notion prevail that in administering government affairs practical experience in government business is superfluous? When will taxpayers awaken to a realization of the fact that efficiency in government administration means a saving of government funds?

It may be argued that the government service differs from a private corporation in that it does not aim at profits, but surely it should aim at the efficiency which in private enterprise insures profits.

#### TRAINING FOR GOVERNMENT OFFICES

There is today no such profession or career as that of trained postmaster, collector of customs, collector of internal revenue, or the like. Why should there not be? Is the Post Office Department, for example, anything but a large business institution whose sole object is to collect, transport and distribute the mail satisfactorily at the lowest possible rates? Why should there not be a profession of postmaster which might be learned by schooling in the post-office business just as there is a profession of freight traffic manager which is learned by schooling in the railroad business? When a vacancy occurs in the position of postmaster at Canastota, New York, paying a salary of \$2,400 a year, why should it not be filled by the promotion of a postal employee who has demonstrated his ability in the post-office business by his work in the organization? When a vacancy occurs in the position of postmaster at Portland, Maine, a \$4,000 office, why should it not be filled by the advancement of a postmaster at a smaller office who has proved himself worthy of promotion?

To carry the system to a logical conclusion, when a vacancy occurs in the position of postmaster at New York City, which office pays \$8,000 a year, why should it not be filled by the transfer of a postmaster at a \$6,000 office, such as Pittsburgh, Washington, Buffalo or Cleveland? The public is so wedded to the idea that the office of postmaster in a particular city rightfully belongs to a member of that community that it is probably not ready to receive kindly a change so radical, but if it can be demonstrated that better postal service will result from an alteration of methods in the appointment of postmasters, the change would doubtless be acceptable.

What has been said of the postal



service applies with equal force to the customs service, the internal revenue service, or any other branch of the government, for each of these departments is naught but a big business enterprise to which business principles can and should be applied.

#### POLICY-FORMING OFFICIALS

It is conceded that the President has the right to select for members of his Cabinet men who are in every way in sympathy with his own policies; possibly a few offices require men with training and experience not obtainable in government establishments. It is further conceded that it would be a mistake to fill all supervisory offices through promotion, for the occasional infusion of new blood of the right kind from the outside would bring into the government service new ideas from private business and would tend to promote the spirit of competition that is so essential to the success of any large organization. However, it is maintained that the federal civil service would be improved from the top to the bottom if promotion of worthy subordinates were the rule rather than the exception.

A recent writer, a member of Congress, in a popular magazine stated as his opinion that "All hope abandon, ye who enter here" would be an appropriate legend for the portals of all government office buildings. In his view a young man or woman who

enters the civil service of the United States flings away ambition at the start and is certain to prove a failure. The writer states that the government service offers little incentive to initiative in that it fails to reward merit with promotion, but rather makes advancements through personal favoritism or "outside" influence; that it is lacking in the spirit of competition which makes for endeavor, and is altogether devoid of the elements which tend to develop self-reliance, healthy ambition and efficient service.

The situation is hardly as bad as that but it is bad enough. It is far from being hopeless and just as far from being all that could be desired. Those who seek to amass wealth will find little opportunity for doing so in work for the government, but the civil service has much to commend it. It offers a wide field of opportunity where individual tastes may be developed and where real constructive work—big, interesting, clean work—may be done. Perhaps this explains why so many capable men and women spend their lives in the service of the government under conditions as they exist today.

The member of Congress who recommended Dante's doleful warning for a door-plate pointed an accusing finger at himself and his fellow-legislators, for the remedies for the ills of the civil service are in the hands of Congress.

## Retirement Pensions and Morale in Public Service

By FRANCIS FISHER KANE

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IT is coming to be said more and more that the public is a silent partner in all industry. It is also said that the relationship of employer and employee ought at least to have the aspect of a partnership—that the true interests of employer and employee are so much the same that they may be regarded as partners without too great a stretch of the imagination. I am now going to consider for a moment a business in which we are a partner in a very real sense. I refer to the business of the government.

### PUBLIC SERVICE CONDITIONS

The business conducted by our government is perhaps the largest business on the face of this earth, and in many respects it is conducted very badly. I agree that the *esprit de corps* in the service is better than is commonly supposed. I know of many offices where there is a splendid devotion to the public weal, and I know personally hundreds of employees in the service of the government who serve it with devotion and public spirit—men and women who are proud to work for the United States, even though there is drudgery in what they do, and even though the conditions of their labor are far from satisfactory. There are many men and women at present serving the Department of Justice in minor positions, as well as in positions of importance, who toil on from day to day for the mere love of the service, although their salaries are such as a private corporation would be ashamed to pay. Nevertheless, the work of the government suffers as a whole.

It used to be said that the one vice inherent in republics was the overpayment of subordinates and the underpayment of persons at the top. The scrub woman, or the janitor, received more, and the man in a position of responsibility received less, than they would have received had they been working for a private employer. Hours of labor were short, but there was always a chance of the individual losing the position, if the job was a "political one," and therefore service of the public suffered from an inferior class of labor at the bottom. The right sort of men were not tempted to enter the service, either at the bottom or the top. A change has now taken place, but it is not for the better. The men at the top are still paid insufficient salaries, and now the pay of those holding subordinate positions is also insufficient. Places that were overpaid are now not paid enough. Salaries have not kept pace with the cost of living.

The salaries in the Post Office Department are a crying shame. Often the right sort of men cannot be secured as postmen, let alone as special delivery employees. Two days ago I heard that the postmaster of Camden had taken on five ex-soldiers as postmen. They all resigned within three days. The conditions of labor, combined with the low pay, drove them out of the service, almost as soon as they entered it, and I could tell you case after case of splendid fellows in the Department of Justice who have had to leave the federal service because the pay offered

them was insufficient to support their families.

Until recently the head of the Bureau of Investigation of the Department of Justice could not himself get more than \$4,000 per annum under the law. The Bureau of Investigation is the field force, the detective force, of the Department of Justice, and the responsibilities of its chief are very great. Of course he must be a man of high character. He must maintain the standards of the department and see that the agents under him, who are scattered all over the country, do not fall into the unfair, and often dishonest, practices that we have come to associate with private detective agencies. He must also be a trained investigator; he must know how crimes are detected and criminals are punished; he must be able to handle what has become one of the most important bureaus of the government, with offices in all of our large cities, and hundreds, if not thousands, of men working under local chiefs and sending daily their reports to Washington. To pay such a man—a man fitted to be the chief of this bureau—a beggarly \$4,000 per year is pitiful. Of course the government cannot obtain, for so small a sum, the kind of talent and experience that is needed. What I have said as to the chief of this bureau applies to many other similar positions, to local superintendents and a large proportion of agents who are working faithfully, in season and out of season, for the government.

#### CLASSIFIED SERVICE CONDITIONS

It is a shame that several branches of the public service that have been recently created are not within the classified service. It is a shame that the Census operatives, and many of those working for the Treasury Department—I might especially mention

the Prohibition Enforcement Bureau—are not within the classified service, and that the agents in these bureaus must to so large an extent hold their positions through politics. This ought to be remedied. On the other hand, the Civil Service Commission does not seem to be exercising its functions in the most intelligent manner, and we still hear of "fool examinations" which stand for nothing, and naturally enough bring the system of competitive examinations into ill repute. I do not know whether additional legislation is necessary. Probably it is only necessary that the Civil Service Commission should get a better grip on things and bring their methods up to date.

#### LEGISLATION FOR EXISTING EVILS IN LABOR CONDITIONS

The National Federation of Federal Employees, with which I am associated, is a splendid trade union in which I should like to see all our federal employees eventually enrolled. We are of course pledged not to go on strike—that would be tantamount to treason. When abuses exist, as they do at present, we can only carry our complaints to the public, and have them remedied through Congress. Therefore, we now back the Nolan-Johnson bill which provides for a minimum wage of \$3 a day—\$1,080 per annum—for federal employees, and which further provides for an intelligent system of promotion, and for other conditions making for fair remuneration and greater efficiency in the service. The other bill behind which we stand is the Sterling-Lehlbach bill, which provides for the retirement at a proper age of federal employees. The present Sterling-Lehlbach bill applies to all departments of the government. At present there are superannuated employees in many of the offices in Washington. Men and women who have grown old in the service and

are no longer useful, are nevertheless retained in their positions because their superiors have not the heart to discharge them. This is a real evil and calls for correction. Let me, therefore, in closing urge the securing of the passage of these much needed bills.

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## The Preservation of Industrial Peace

By J. HARRY COVINGTON

Formerly a Member of Congress, Chief Justice of the Supreme Court of the District of Columbia, and Member of the United States Railroad Wage Commission

### THE AFTERMATH OF THE WAR

**T**HE war has certainly left us in America in a most peculiar situation—a victorious nation, restored to the ways of peace, finds itself, notwithstanding victory, in the midst of a most serious industrial crisis. No man would, I presume, have believed in 1914, while thinking of the possibilities of the future, that the differences between capital and labor could come to be so tense as they actually are today. Yet the tenseness is a fact. Situations have developed which were unknown to our pre-war social and industrial economy, and they have been produced, it seems to me, because, after all, as a well-known philosophical lawyer said in Washington soon after the end of the actual war, the great struggle of 1914 to 1919 constitutes one of the two or three great convulsions that the world has had in all its history. He said that it was almost impossible for those who lived in the days of the gradual disintegration of the Roman Empire to understand the forces which were at play at that time, and that it was quite a time before those who lived and played their part in the convulsion in Europe that we call the French Revolution appreciated the end to which that great political movement led. And we today are still groping, so to speak, he said, because we are unable to appreciate the extent of the convulsion through which we have lately passed. In consequence, we are uncertain as to how we can get to a more just appreciation of the changed conditions.

Fortunately in America we at least

have the people broadened by the war so that the national mind looks clearly forward to a sane but more soundly progressive human society than anywhere else on the face of the earth.

### INDIVIDUALISM AND SOCIALISM

A century and a quarter or more ago this nation was born. It was born literally of a revolution. It came into being as the result of the determination of our forebears to assert a scheme of individualistic government, throwing off all idea of the semi-autocracy of our Anglo-Saxon progenitors and organizing a humane, socially just, individualistic democracy, but a democracy truly individualistic and not socialistic. In that fight between individualism and despotism, we asserted our power. After the lapse of a century and a quarter we have to appreciate that, with the greatest of the world's resources in our hands, with our man power scarcely disturbed, with a broader conception of humanity than, perhaps, anywhere else on earth, we yet have an equally great fight—the fight of individualism against socialism.

It is not worth while to discuss socialism. Save for a few, thinking people do not believe, as the result of the keenest observation, that it will work. In our individualistic scheme of government, however, we must establish an order of social justice as distinguished from socialism, so complete, so all-embracing, that the masses of our people will understand its completeness, realize the efficacy of its operations for their welfare, and cease the combat between

classes so as to go along with a common purpose to maintain in all its vigor this great democratic country which, when all is said and done, must be the hope of civilization in the world.

#### THE CHANGED CONCEPTION OF FREE GOVERNMENT

With the war over our people must realize that the shocks of the struggle undoubtedly awakened sleeping forces in mankind all over the world. "To make the world safe for democracy" was a cry understood by the wage-earner to be a declaration that more assured opportunities are to be in store for him under free governments. The sternly individualistic doctrine of "every man for himself" is done forever. In the fight just ended the industrial army learned its power, as well as obtained a larger vision of its rights.

We must regard, then, the truth of the utterance of Hume, that "all the vast machinery of government is ultimately for no other purpose than the distribution of justice," and understand that such a thought carries justice alike for rich and poor, employer and employee. With that idea rooted in all our government acts hereafter, the sufficiency of our individualistic system must be an ever present object lesson for the toiler. The preservation of industrial peace with us depends upon our ability so to adjust the complex relations in our industrial life that the honest worker need not want to use his power because he has already been safeguarded in his rights and his well-being.

He would be a bold man indeed who offered a panacea for all the industrial ills of the day. Out of much travail will come their cure. Some fifty years ago, however, the great Lincoln addressed these words to the Congress:

You cannot, if you would, be blind to the signs of the times. I beg of you a calm and enlarged

consideration of them, ranging, if it may be, far above personal and partisan politics. . . . May the vast future not have to lament that you have neglected it.

Our collective responsibility, therefore, and the responsibility of each American, is great indeed. The man who toils with his hands will never again be considered as merely disposing of a commodity, "labor," in a market regulated only by the bloodless law of supply and demand. On the other hand, our opposition as a nation to socialism is based on the fundamental truth that civilization advances only through the ingenious direction of human labor by the extraordinary and unusual man, and that social justice is the distribution of prosperity under circumstances that assure to all comfort and beyond that a reasonable additional reward to those whose ingenuity has made general prosperity and happiness possible.

#### EMPLOYER'S RELATION TO EMPLOYEE

It is hard to generalize on the problems of the employer and employee. Each has just grievances, and each something substantial to do in the preservation of our industrial peace. We know that the superlative right of capital is gone, but it must not be succeeded by the tyranny of labor. What we in America understand by liberty under the law is simply that one may do what he pleases until something is done in violation of the common understanding of the public interest. And the use of liberty against the public interest is penalized.

It was my good fortune to be connected with one really great wage adjustment. I happened to sit as one of the members of the railroad wage commission, which for five months grappled with the well-nigh insolvable problems connected with the redistribution of the portion of the railroad earnings which

could be allocated to the wages of the employes that operated the various transportation systems of the country. It was also my good fortune to go into our west during the early period of the war on a confidential mission of about two months. I visited the states west of the Rocky Mountains and on the Pacific Coast at the time when we were just beginning our great war preparation. Our copper supplies from our great copper producing industry and our spruce supply in the great forests of the Pacific Coast were necessary—the one for munitions and explosives and the other for our great aeroplane program.

Certain obvious facts in each of those industries came under my notice which it seems to me in any real adjustment of the relationship between capital and labor we cannot fail to take into consideration and thoroughly to appreciate. One of them is this: up to the time of the war there was not in many of our industries an appropriate conception on the part of the employer for the situation of the employee. Capital believed that it had a so-called superior right. But in a scheme of liberty, equality and fraternity necessary to sustain a government such as ours, it has only an equal right in the successful plying of industrial activity. Now, capital failed to appreciate that in many of our industries the things which did not mean wages, did not mean money and consequent draft upon corporate or individual income, but which meant a saner, a more wholesome, a more humanitarian appreciation for the condition of the working man, were absolutely absent. In one of the great copper mining concerns of the Rocky Mountains many thousands of men were on strike with a wage schedule that was well in advance of the wage schedule exist-

ing in other great copper industries where the workers were performing well their part in that industry vital to the war. The most superficial inquiry disclosed simply this difference—that one concern was controlled by perfectly honest-minded but utterly unimaginative individuals, living far away from the industry, and having little appreciation of the small things in the way of service around the mills, the result of which was a feeling that after all the employees were what you all know they are not—merely an incident to capital in the sense of being one of the commodities entering into the finished product.

In the other concerns where the employees were all at work, I was told there was a conception of those little things to which employees attach importance: the willingness to listen about minor complaints, the adjustment of little matters in the way of physical services around and about the houses where the workers dwelt, the determination that company stores were to be operated so that the employee got the full benefit of systematic distribution of goods by the employer.

When you come to face this problem of industrial readjustment for the preservation of industrial peace, you need go no farther, it seems to me, than to recognize that over and beyond or, at least, equal to wages themselves and working conditions is the recognition of the existence in the employees of the desires of the human heart. This must be appreciated by the employer and must through his agencies be dealt with, be recognized and dwelt upon.

Both with the railroad workers and with these other groups of workers there was a belief that the existence of great fortunes indicated exploitation on the part of capital so that the employee is not receiving anything like his just proportion of industrial pros-

perity. It is quite true that the innumerable contributors of the capital, without which industry in the aggregate form cannot exist, have their sane and just property rights to be considered under our scheme of equal government, just as are the rights of the wage working employee, but it is the fact that we must recognize that, with the war over, with a broader humanity, a more thorough conception of democracy present with us, that the old-time scheme of individualistic government—of letting him live who can—has gone forever, and that there must be, if these men and these women are to be kept satisfied, an understanding among them that they are receiving a fair share of the result of industrial prosperity. As it is now, they do not understand it. They do not understand it because of a lack of determination up to this time on the part of the average American to take real interest in the employed class, and to get an understanding among them as to just what is necessary in a sound, industrial establishment, believing as we all do in the individualistic scheme of government, believing that the inventive genius and the unusual man is a necessary ingredient of organized society in order that the aggregate activity of the whole may be on the highest plane.

We have a duty to bring home to those who are used as an incident of that superior capacity and inventive genius, an understanding that the scheme of government under which we operate is the only one by which, with a fair distribution of the total productivity of industrial activity, the masses are going to be more prosperous than under any other scheme.

#### *Equal Opportunity of Children*

There is another belief that is widely prevalent—the belief that there is not a conception of the right in our

scheme of free government that the children of all shall have equal opportunity for complete education. Many men seemed to believe that their niche in life is carved by fate and that no matter how unusual their offspring might be, that by the carved niche in which they are fitted there is the barrier raised against their children. We have done little as yet to make understood throughout the length and the breadth of this land that there is equal opportunity in education, and in many quarters of this land we have done far too little from the plenitude of our individual fortunes to assure at all hazards a really equal opportunity for education.

The advance of our democratic civilization must be along the line of a duty on the part of prosperous society to assure at all hazards absolute equality of education to the children of all groups and classes. There cannot be, as the result of the accident of birth, in the future of free society the superior right of the scion of wealth to an education that the humblest in the land, if he possesses capacity, shall not have.

#### *Obligations of the Employee*

There has been no appreciation among the employed of the relation between efficiency and that enlarged production which contributes to the prosperity of all. The lack of this appreciation follows from the absence of dealing with labor upon the basis of the two things already referred to. Employees believe that there exists still the spirit of antagonism between capital and labor. They do not understand as yet that there is any thought in the investors' minds save that of the exploitation of labor. The result is that they have developed quite naturally in their minds an illogical notion of the limitation of production,



upon the theory that such action assures reasonable employment to all within their class.

I am not an economist but I make bold to say that the basic evil of our entire industrial system is that as yet the laborer has not had an understanding of the benefits which come to him from the relationship between reduced prices and greater productivity in an ordinarily prosperous country. He has never been made to understand the simple economic fact that money by itself means nothing, that it is after all but the convenient medium for the exchange of the abundance of commodities produced, to the end that there shall be a greater degree of comfort and luxury for all. In consequence he has not had brought home to him, by the sound relationship of his employer to him, and the thorough-going distribution of a full share of the industrial profit, the understanding that productivity and efficiency in labor mean prosperity for the laborer, and he will only understand that when those among the capital class who control our greater industries make up their minds to adopt in practice the sound recommendations of the recent industrial conference, so that there will be such a distribution to labor of the actual profit from industry that labor itself will have a thorough-going conception of the relation which its efficiency and its consequent productivity bears to its own prosperity and its own uplift.

The matters I have discussed at random are all serious problems. I have sought to bring home to you an appreciation of the duty which capital and labor owe each to the other, to the end that there shall be as far as possible in our plan of orderly government an elimination of classes. Make no mistake about the importance of these problems. By your education,

by your superior advantages, you have a duty resting upon you far in advance of that resting upon the ordinary employee in the lower stratum of our social structure. It is a quite mistaken idea that the duty flows from them to you. One of the great railroad presidents with a marvelous catholicity of spirit, for he is one of the most human men I ever knew, said to me one day that he never, as a manager, had the courage to quarrel with a mistake of a section man, because if the section man had had the opportunity that he as president had he would not still be a section man. That is a simple truism, and it is not the duty that the employed class owe to you that you are concerned about, but it is the duty that you owe to the employed class that is the concern of the nation.

By your superior opportunity, by your broader vision, by your finer conception of what liberty under the law in this great republic means, you have a transcendent duty cast upon you to make the great masses of the people understand by your conduct that there is a new individualism which is to bring closer together, rather than to set farther apart, the various elements of society.

I heard an amusing incident not long ago that illustrates the ridiculous conceptions of some people. A good lady, no doubt with the best of motives, thinking to do something to ameliorate the extravagance of the wives of the workmen in a great industrial establishment, motored around in her beautiful car, bedecked in her most exquisite clothes with a diamond wrist-watch on her wrist, to protest against the purchase of phonographs by the wives of the workmen in the industrial establishment! She believed no doubt that her expenditures were necessities and the others extravagances. We must narrow the spread

between the unusual and the ordinary man by example, by teaching, by appreciation, of the problems which confront us in relation to industrial stability. We will help to narrow them

when we take a theoretical program such as has been evolved by the industrial conference and apply it in concrete fashion to the peoples with whom we from day to day come in contact.

## Industrial Peace

By HON. ARTHUR CAPPER  
United States Senator from Kansas

**B**EFORE we can preserve industrial peace we must attain it. Has industrial peace ever existed? Here are forces acting and counteracting, human forces in opposition to one another, human passions and appetites on the one hand—economic laws and forces operating implacably on the other.

Let us understand at the outset that economic forces and their way of operating, through fixed laws, cannot be changed. We oppose them at our peril. It is plainly our duty and our hope to study them, inquire into them scientifically, as we inquire into the forces and laws of chemistry or physics, with the purpose, when we have acquired knowledge of what they are and how they work, of adjusting ourselves to them, not of trying in some way to circumvent or defeat them. We may be sure that they will defeat us unless we apply ourselves diligently to coöperating with them, for they will surely have their way.

### HUMAN NATURE IN INDUSTRY

The human forces are different. Our human passions and appetites cannot be changed. As they were originally constituted, so they are today. We find in the dawn of history the same human characteristics exploiting themselves and operating in the same way as today. Human nature was constituted once and for all. Yet the human forces are capable of adjustment. We have the power to curb our passions and our appetites. In this respect mankind has indeed made great progress. Our

nature is unchanged; but we have it under better control, because we have learned for long generations in the hard school of life that our interest does not lie in the exercise of unrestrained passion and appetite and wilfulness, but in holding ourselves within certain restraints, considering physical laws and forces about us, and considering also human and social forces about us, so that we consider not only ourselves but others as well.

What all the world must learn is that we live more and more a common life with common and not separate and mutually hostile interests. The common interest, if we can discover it, is ours.

In considering the problem of capital and labor, employer and employee, hours of labor and wages, conditions of employment, health and sanitation of workers and their families, child labor and the labor of women, I go back to what I stated at the beginning. It is wholly a matter of taking human nature into consideration. Human laws of thinking and feeling govern this problem.

Men cannot be forced to do right. They must be led. The industrial problem will never be solved and its solution will never be advanced one step by abuse and denunciation and epithets. Prejudice will never solve this human problem. No man can contribute to its solution who has no power of getting the other man's point of view, entering into his mind and appreciating how he looks upon life and what his life actually is.

## DEMOCRACY IN INDUSTRY

I have thought that at present the most promising proposal of all the many for helping the solution of our industrial problem has nothing to do with legislation at all, but is the proposal that has sometimes been described as "democratizing" industry; that is, it is the so-called "shop councils" or "shop committees" plan, by which grievances are anticipated and strikes and lockouts and strife are anticipated by the prompt hearing which every small individual grievance obtains at the shop council.

We are all familiar with this plan, which, new as it is, has already been put into operation by upwards of 200 American corporations, which is said to be in effect in a large way in England and which has been considered by the German Reichstag for Germany. It is democracy in industry so far as such matters are concerned as relate to employment, wages, hours of labor, etc.

The merit of this idea is not so much technical, for, technically, the plans differ in the various factories where they have been put into operation; but the merit is in the recognition of democracy, the principle of representation, the sense of the employee that he is a factor acknowledged and permitted to act, to air his ideas and to have his grievances considered promptly and without prejudice.

What is it that we want of labor? Everybody agrees that it is production. We want to get rid of slackerism and soldiering on the job. We want the worker to work. The country has rung with that demand upon labor. It is precisely because we want the worker to work, to give a full return for the wages paid him, that it is vital to consider the worker's psychology and to build up in him the desire to work, by creating in him the sense of recognition and representation as a man and

brother in industry, not as a beast of burden.

There are employers so ignorant of the psychology of their fellowmen in any other circumstances than their own that they are determined by every device conceivable to them, even to the enactment of laws, to destroy organization on the part of labor, while complacently accepting organization on the part of the employer, the capitalist.

Does any sane man believe the industrial problem is ever to be solved by rank injustice? Rather, it is to be solved by justice, by considering the other man, by giving him every right and privilege that is claimed for the investor or the employer. Industrial peace is not to be attained by denials of right, or by tricking men out of their rights. There was profound human philosophy in that utterance of the angelic chorus at the opening of the Christian era—"Peace on earth, good will to men." I understand that modern scholarship translates their true meaning as "Peace on earth to men of good will." In either case it is sound doctrine; for peace cannot come by any of the methods of ill will, nor to men of ill will, but only by the methods of good will and to men of good will.

The employer will say: "Why not tell that to the men who threaten to strike whenever their demands are not granted, to the men who soldier on the job and think only of the pay they get, not of the work they perform for their pay?"

The law applies to the carpenter, the bricklayer and the plumber, just as to the millionaire capitalist. But speaking as one who is himself an employer of a large number of men, I say that the employer should first set the example; that the employer should translate sound doctrine, without which the industrial problem cannot be solved, by consideration of the point of view of



his men, by paying them a living wage, by mingling with them and learning from them what their needs are, what their just rights should be. This is his bounden duty and his self-evident interest. The trouble is that neither side considers the other to any great extent, and what results is precisely what should result from all we know of human psychology. Those employers who have imagined that they can win the worker by so-called "welfare" service, administered from above, live in a fool's paradise.

#### PRODUCTION THE INTEREST OF LABOR AND CAPITAL

It is necessary that industry should be regarded for what it is—a coöperative, mutual enterprise for the common good. The end of industry is production, not wages or profits. These are both incidental to the main end. Both capital and labor are servants of the consumer. Greater production is the consumer's interest; what else is the interest of labor or of capital? The greater the product the larger the wage fund and the fund out of which dividends may be paid.

I come back to what I stated at the beginning. Economic laws cannot be changed. Let us ascertain what they are, then let us adjust ourselves to these laws and use them for the common good. If economic and social laws are in perfect harmony, as I believe they are, then we should take advantage of them for our own interest. If the laws of human psychology are in harmony with economic laws, as I have no doubt they are, then the manager of industry cannot overlook human psychology and have the economic results he desires.

#### PROFITEERING AND ITS RESULTS

While we were at war we had a splendid example of what can be accom-

plished by coöperation, when all work together for the common good. Many hoped that the world would, as a consequence of and in some sense as a compensation for the awful sacrifices and costs of humanity's deadliest war, turn its thoughts and its efforts with a new spirit towards a more unselfish, a more tolerant order.

Yet the war was no more than interrupted by the armistice when selfishness leaped into the saddle again and, with its arrogant profiteering, its ugly demand "Pay me." Business demands a profit that will lap up all its sacrifices and put its boasted patriotism, its love of the common good to shame. There is nothing beautiful in the fact that business presents nothing hopeful. It has lapsed into sheer selfishness and dragged down the spirit of the nation. It is as if the war spirit, after all, were merely a temporary hysteria, abnormal, instead of a proof that society is capable of working together in harmony and unity of purpose, in tolerance and mutual good will.

Profiteering in its arrogance and its crude, raw selfishness, its want of consideration for the common good has become a stench in the nostrils of the people. I say to capitalism and to business that it cannot be master in this country; it is servant. It cannot domineer and order the faithful, loyal American people to be "100 per cent American" but it must look to its own doorstep, clean its own house and learn what 100 per cent Americanism really signifies, before it undertakes to set up standards of Americanism for others.

We are all servants and none masters of the country. There are none to give orders and to set up standards based on their own selfish interest. If organized labor is thinking of nothing but the interest of organized labor, then it is not 100 per cent American. Neither the capitalistic profiteer nor organized

labor can be master, but each must consider the rights of the other.

Where is the new spirit that was to come out of the great war? How are we profiting by the lessons that we thought we had learned from the materialism of German Prussianism? The spirit of the most criminal organization in the world was in no sense different from the narrow, arrogant, domineering spirit of self-interest that is abroad in our own country today in profiteering and in the class war of capital and organized labor.

We can exercise this spirit only by mutual concessions, and these are impossible without first thinking, and thinking hard of the mutuality of our interest. As I see class war succeeding to national unity, as we had it during the great liberty loan and welfare drives of but two and three years ago, that phrase of the Master keeps ringing in my ears, as true today, as needful an admonition as in any period of human history, yes, more so, the pregnant command to every selfish interest, "Ye must be born again." There can be no masters, we are all servants. Arrogant demands for rights and special privileges and advantages must give way to the sense of service and the common good.

It is a saying of business that "competition is the life of trade." This is true. I am not talking for less energy in business or less competition, which spells progress and improvement, but for competition in serving the common welfare by honest work, honest goods and honest prices. The president of the greatest woolen manufacturing corporation, probably in the world, the other day felt constrained to issue, after the annual statement of the business, an apology for its ungodly profits. It was only so much on a suit of clothes, but it was a colossal and indefensible net profit on the total business.

These men profess to work, for their stockholders turn out the maximum of product. They are not doing it; they are working for their stockholders to turn out the maximum of profit. The maximum product is what we all are demanding of labor and capital alike, but the maximum product can be assured in only one way, and that is by considering the consumer's ability to buy, by fair profits, which imply reasonable prices, which in turn stimulate work and effort in the hope of consumption, the fullest satisfaction of needs and desires. Profiteering is not good economics, for it destroys the market, puts too many people out of business, in effect, by placing goods beyond their reach. It is not in the interest of maximum production, and maximum general prosperity. Its moral and spiritual effect is to incite class war and recrimination and an ugly feeling that is as far removed as possible from promoting maximum work and production.

I believe that if industry were, or if it ever shall be, conducted strictly for the common good, rather than with regard primarily, as now, to profit to the individual, the results would be astonishing to the average man; that production would be the objective then of both employer and employee; that the output would be so large that labor would not be overworked and yet would obtain a much greater income in actual goods than ever before; and that for the same reason the returns to the investor would be, if not any greater than now, or in many instances not so great, yet much steadier and more certain. I am not speaking of industry conducted by the state, for which I do not have the slightest sympathy, but industry conducted as private enterprise, with the viewpoint of the greatest possible product at the least cost.

### AGRICULTURE THE BASIC INDUSTRY

I believe that the basic industry of all is agriculture, producing things that are elemental to life, the food by which we live. Should not all other industries consider that of food? The farmer until recent years has not had the power to express himself. He has lacked the facilities to act in combination. Other industries are in advance of him in this respect, while he remains and to a degree must be an individualist. So he is likely to fall behind in the race, and has fallen behind. It is not enough to pat him on the back and say he is a good fellow and adjure him to go on producing and working 12 or 15 hours a day; and it is not enough to provide him with agricultural schools where his boys can become trained in the higher agriculture, the study of soils and the chemistry of plant life. What is the use of all this education for thousands of farm boys, tens of thousands, every year, if when he goes out, trained to till the soil, he finds no land upon which he can set to work?

The nation, as a whole, must consider the needs of agriculture and among these needs is the provision of land for the trained young men to till. We have ignored this problem. We have drifted without thought, letting economic laws work their effects, and permitting privilege and injustice to hold the wealth which God himself provided, the land, out of use, for speculative returns.

We are by no means helpless in this matter, for we have the power of taxation and we have not availed ourselves of it to check land speculation, letting matters drift, until land has advanced to such prices that young men cannot obtain it.

### NEED FOR A CONSTRUCTIVE PROGRAM FOR AGRICULTURAL INTEREST

We have done nothing either to assist trained young men to get on the

land through credit advanced by the community. There is no basis of credit equal to land. This we have known but never have had such a remarkable proof of it as during the great war. In the five years of the conflict in Europe, German imperial bonds depreciated 22 per cent. But in the same period German land bank mortgage bonds depreciated only 2 per cent, or less than our own liberty bonds. Here is a striking proof of the supremacy of the land as the basis of credit.

A great New York banker, not many years ago, testified before a committee of Congress that in making a loan he considered first of all the character of the applicant. He would loan to a man of little property but of trustworthy character when he would not to a man with large security but unreliable character. In the graduates of our agricultural colleges we have young men of character, who have proven that they possess energy and industry and ambition. We can give these young men credit based upon their training, their character and the land they till.

Today, the farmer is organized. There are a dozen great national farm organizations and through them the farmer is expressing himself and is being heard. Let us listen to what this important interest has to say of its problems and its needs. The platforms and resolutions adopted by the National Farmers' Congress, the Grange, the Societies of Equity, the Farm Unions, the Federated Farm Bureaus, the Farmers' National Council, the National Board of Farm Organizations and many bodies representing more particularly certain branches of agriculture, as dairying and livestock, speak the farmer's mind, and it is surprising how largely they are in agreement. The nation must give more heed to these utterances from the

producers of food as to the rights and interests of agriculture.

The farmers are asking no special favors; indeed they are very much opposed to special privileges to any class. But if there is anything more fundamental than getting enough food for the people, I have never heard of it. Moreover, unless we do some real thinking along this line there will be people who will be hungry one of these days. It is essential that a constructive program be adopted at once, which will give the agricultural interests of this country a fair chance—that will enable farmers to develop their business, educate their children and work into the most efficient production of food.

The first thing is to curb the profiteers and supply agricultural essentials, such as lumber, agricultural implements, clothing, shoes, and the like, at an honest price.

We must also encourage legislation curbing manipulation of the market and gambling by the grain, provision, and stock exchange sharks, who seek to control unjustly the supply and the prices of foodstuffs, cotton, and other necessities of life. We should also have federal supervision of the packing industry.

A further extension in coöperation is needed in both country and city—it is essential in building up the agricultural interests. There should be legislation to remove all artificial restrictions on the sale of farm products clearly establishing the rights of farmers to collectively market their own products without legal or other interference. We must work out a better system of distribution and marketing, and supply food at a lower cost, while making more than the cost of production itself.

Let's try to stop this landslide from the country into the cities. Let's get a vision of what this great nation can

be, with its industrial and business life working in harmony and perfect coöperation with the agricultural interests, and with plenty of food for every one, at prices which the workers can afford to pay and yet which will supply modern country homes and other essentials for farmers. Better schools, modern homes, social advantages and a greater opportunity to get the brighter things of life are essential.

#### A PROGRAM FOR THE FUTURE

These are topsy-turvy times, but there never was a time when being unselfish was such enlightened selfishness as now. I believe we should all sit tight, stay by our jobs and stand by our country. Many things are badly mixed here at home, but they are not going to remain mixed. To restore normal conditions it will require the unselfish coöperation of patriotic Americans of all walks of life. Of course, we have tremendous problems but we have only to keep our heads and be really and truly thankful that we are American citizens, to come through our difficulties.

We must all unite to win the right conditions in peace times, just as we united to win the war. Then this great national readjustment will be accomplished without hardship, and the nation will not feel the strain which otherwise will be heavy, possibly to the breaking point.

We must apply the principle of the Golden Rule as never before. We need more of the spirit of fair play between man and man. It is a poor time for strikes and for strife. Greater industry, harder work, more rigid economy in public and private expenditures, doing without all luxuries, and, above everything else, increased production are today as solemn a duty upon all alike as they were during the crisis of the war. I have faith in the



common sense and steadfast patience of the American people, the common sense and the patience that was typified and deified in Lincoln.

It is a time especially when partisanship must be put aside and every man must coöperate to the utmost of his ability. American initiative, Ameri-

can pluck, American inventive genius, a thorough-going American policy, and the real American spirit must be backed up as never before with true American statesmanship. I have the utmost confidence that we shall meet these great problems in a way that befits America and her destiny.

## BOOK DEPARTMENT

BULLOCK, EDNA D. and JOHNSON, JULIA E. *Employment of Women*. Pp. xxxvii, 214. New York, H. W. Wilson, 1920. \$1.25.

PHELPS, EDITH M. *American Merchant Marine*. Pp. xxxvii, 344. New York, H. W. Wilson, 1920. \$1.50.

TALBOT, W. and JOHNSON, JULIA E. *Americanization*. Pp. lxiv, 373. New York, H. W. Wilson, 1920. \$1.80.

All of these books are second editions of volumes in the Debaters' Handbook Series heretofore reviewed in *THE ANNALS*. The volume on the *American Merchant Marine* contains a supplement of nearly 150 pages bringing the material up to 1919. There is a similar supplement to the volume on *Employment of Women* bringing the material up to date of publication.

The volume on *Americanization* discusses the principles of Americanism, essentials of Americanization, technique of race-assimilation. It contains a good bibliography. A supplementary section of fifty pages brings the discussion of Americanization up to date. All books are eminently suited to their purpose.

HOBSON, J. A. *Taxation in the New State*. Pp. x, 258. New York, Harcourt, Brace and Howe, 1920.

In most modern states the tendency in taxation has been (1) to draw an increasing proportion of the tax revenue from direct taxes, (2) to do away with specific taxes earmarked for some special public service and (3) to adopt the policy of graduation for direct taxes. A tax to be sound must not remove or impair any instrument or incentive to essential or useful processes of production, nor remove or impair any essential or useful element of consumption.

The phrase "ability to pay" should be changed to "ability to bear." The following groups have no ability to bear taxation and if taxation is placed upon them the tax must be shifted: (1) Standard wages—including wages not only sufficient to keep up physical efficiency but also to keep up standard comforts and pleasures; (2) A minimum rate of interest upon invested capital (the current world rate) to induce the saving class to sacrifice current spending power to save the new capital needed for industrial processes; (3) Standard incomes, differing in each grade of business, for the remuneration of business men; (4) Standard rents of ability, varying with each profession, but sufficient to keep up the various

professional classes. These groups have no true ability to bear taxes and taxes placed upon them must inevitably be shifted.

The real power to bear taxes rests with economic rents, whether "scarcity" or differential rents, and with all interest, profits and other payments for the use of capital, brains or labor which are due to superior economic opportunities including monopolies, quasi monopolies with all business subject to the law of increasing returns.

To attempt to tax the groups who cannot bear taxes is to cause great economic waste and discontent incident to the shifting of these taxes on to those groups able to bear taxes.

Revenues cannot be secured from sources able to bear taxation, without impinging on essential production processes or on consumption standards in quantity sufficient to maintain the interest on the present debt of Great Britain, and to meet the future needs of the state. The author, therefore, urges a levy on capital sufficient to underwrite about seventeen and one-half billion dollars of Britain's existing public debt. His argument for this is not only to lower the burden of an income tax and of other direct taxes in the future but also to make the people in the British Isles the equal competitors of any other group of people. He points out that, whereas preceding the war large quantities of goods were flowing into England yearly as interest on debts due England, now goods must flow out of England to pay the interest on about five billion dollars due to those outside of the British Isles. This outward flow of goods can be brought about only by lowering wages and lowering prices on British goods and to do this will bring about such an unrest as to make ills flowing therefrom outweigh the ills flowing from the levy on capital. The author states that the levy on capital of 50 per cent on war-made wealth would get the sums needed but he believes to levy on war-made wealth alone would be unjust and hence he argues for a levy on all capital. He works out in some detail the process by which this levy can be made.

Such are the tenets and such the main conclusions of the author. As to the power to shift taxes they differ essentially in their general concept of the marginal producer. The author believes that the wage must now be sufficient not only to keep up the race physically but also to get for the working classes those standards of comfort which organized economic and political power can and will now obtain for wage earners. His taxation plan would therefore exclude the

lower income levels in the four groups indicated above from taxation entirely. He would limit taxes primarily to graduated income taxes and graduated inheritance taxes on those able to bear taxes, as above defined.

We no doubt adopt philosophies to justify what we want to do or have decided to do, not as a means of ascertaining what we ought to do. By working out the philosophy to justify the tax system which England is apparently heading toward, this book by Professor Hobson will be of outstanding influence.

CLYDE L. KING.

KEYNES, JOHN MAYNARD. *The Economic Consequences of the Peace*. P. 298. New York, Harcourt, Brace and Howe, 1920.

This book has attracted world-wide attention because of its analysis of Germany's ability to pay and because of its descriptions of the main features and the main actors in the world's greatest drama: the Peace Conference. Two decisions made since the book was written bear out the two main theses of the book which are that the indemnities were in excess of Germany's ability to pay and that the indemnities should be expressed in concrete terms. The indemnity has recently been put at a fixed sum—a sum that reduces the original reparations to 125,000,000 gold marks. The author's economic analysis is significant.

Never before in the history of the world have the forces of civilization been thrust (for the time) into the hands of four men. For this reason the Peace Conference will be dramatized over and over again; and the Big Four will have their motives and their ideals ever reexamined

and reexpressed in the light of later events. It will be all too easy to forget the impelling psychology of the hour which really wrote the treaty. Would the treaty have been substantially different had the personnel of the conference been other than it was? Was not the strength of any individual all too weak to combat the forces of revenge and the demand for "satisfaction" that gave color to the views of all in those days? Have even Americans yet chorused a demand for revising the treaty downward in its demands on Germany? Yet the author's whole argument rests upon the assumption that President Wilson could and should have insisted on a mild treaty that meant ten billions in indemnity in lieu of the forty billions and more in the treaty. The book over-emphasizes the relative power and importance of individuals.

CLYDE L. KING.

*University of Pennsylvania.*

REW, SIR HENRY, K.C.B. *Food Supplies in Peace and War*. P. 183. New York, Longmans, Green and Co., 1920.

This is a study of the food supply of Great Britain before, during and after the war. It is written in popular style and in this lies its real value. Emphasis is placed upon the rising living standards of agricultural labor in Great Britain with the inevitable result that prices on agricultural products must be higher relatively in the future to meet this higher living standard. The author expects food production in Europe to come back to pre-war levels certainly by the harvest of 1921.

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# ECONOMIC PRIZES

## SEVENTEENTH YEAR

In order to arouse an interest in the study of topics relating to commerce and industry, and to stimulate those who have a college training to consider the problems of a business career, a committee composed of

Professor J. Laurence Laughlin, University of Chicago, Chairman  
Professor W. B. Clark, Columbia University  
Professor Henry C. Adams, University of Michigan  
Hon. Theodore B. Burton, New York City, and  
Mr. Edwin F. Gay, New York City

has been enabled through the generosity of Messrs. Hart, Schaffner & Marx of Chicago to offer in 1921 four prizes for the best studies in the economic field.

In addition to the subjects pointed below, a list of available subjects proposed in past years will be sent on request. Attention is especially called to the rule that a competitor is not confined to these proposals in the announcement of this committee, but any other subject chosen must first be approved by it.

1. The economic effects of the accumulation of gold by the United States during the European War.
2. A study of the Policy of the Federal Reserve Board during the War.
3. The course of Foreign Exchange Rates on the United States and Neutral Countries during the War and the Period of readjustment.
4. The Probable Future of the Skilled Artisan.
5. The Effect of the European War on the Export Trade of Great Britain.
6. The Development of the World's Production of Metals.

Class B includes only those studies of the time the papers are sent in, are underwritten by any American college. Class A includes any other Americans without restriction, the possession of a degree is not required of any contestant in this class, nor is any age limit set.

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